

Executive Summary

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Overview

***FY 2006 Budget
Addresses Major
Drivers and Invests for
the Future***

The Governor's FY 2006 Budget constrains state spending and reduces the state's structural deficit, while continuing to make targeted investments supportive of economic growth. This Budget contains major new cost control initiatives. Expenditures in the proposed Budget increase by only 3.6 percent over FY 2005, far less than Rhode Island's 4.1 percent personal income growth rate projected for the same period. Although this Budget forecasts out-year deficits, the Governor's multi-year budgeting strategy has reduced the projected FY 2010 deficit by 42 percent, from an estimated \$165.5 million to \$96.6 million. Conscious of the need to stimulate economic growth, the Governor's FY 2006 Budget also continues to invest strategically in education, job training, and economic development projects.

The Governor proposes a significant reform of the retirement system for state employees and teachers. Employer savings from this proposal accruing to the state total \$25.7 million in FY 2006. Municipalities are projected to save an additional \$18.4 million. This reform plan is based on the work of the Governor's pension review team, although it is was not proposed by the team. The plan would impact only new state employees and teachers along with those with less than ten years of service. Even with the Governor's reform proposal, taxpayer contributions to the state retirement system are projected to increase in FY 2006 and beyond.

The Governor continues to negotiate with state's employee unions for a co-share of medical premiums. No across-the-board wage adjustment for state employees will be implemented without due consideration for a co-share.

This Budget also continues both the Governor's Fiscal Fitness cost-cutting program and his Health and Human Services efficiency program. Fiscal Fitness savings from new initiatives included in this Budget total \$22.8 million. In addition, the state continues to accrue savings from Fiscal Fitness ideas implemented in FY 2005. In total, Fiscal Fitness savings projected for FY 2006 are in excess of \$50 million.

The Governor has identified major cost-cutting opportunities in the Health and Human Services programs while still maintaining a high-level of benefits. These opportunities focus on increasing program compliance by clients, updating client co-payment levels, delivering services in the most appropriate settings, reducing fraud and abuse, tightening eligibility reviews, improving third-party recoveries, and reducing errors in provider payments. Even with these efficiency initiatives, entitlement programs, especially medical benefits, continue to be the most significant fiscal challenge facing the state. For that reason, the Governor proposes forming a taskforce to study the effectiveness and efficiency of these programs.

To control the costs of incarceration of adults and youth, the Governor proposes new investments to reduce recidivism and to divert offenders to appropriate programs. As a result, year-over-year expenditures by the Department of Corrections are projected to decrease.

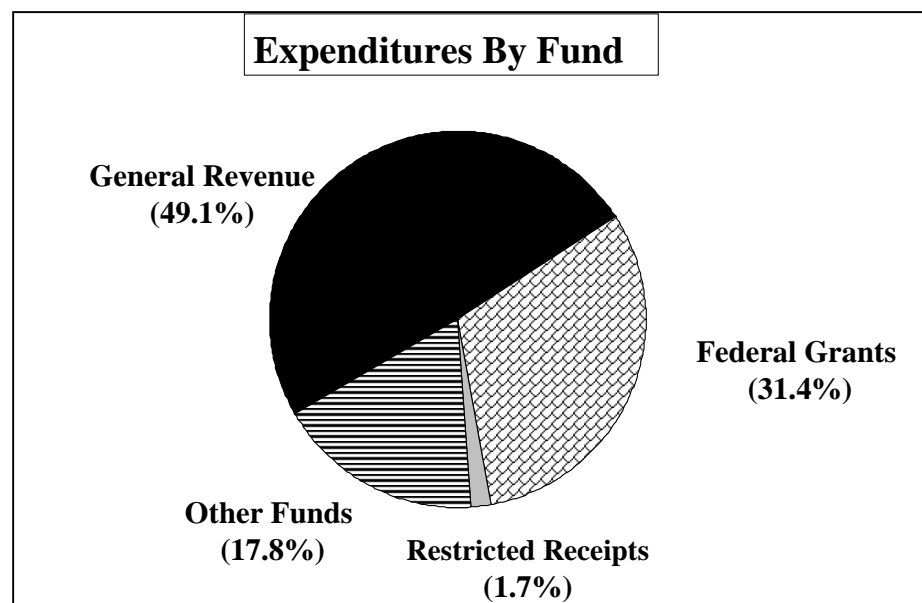
This Budget also reflects the Governor's commitment to increased investments to stimulated economic growth. The Governor's Jobs Partnership Act will authorize the Economic Development Corporation to provide capital for small businesses and emerging technology companies. This Budget continues funding

Overview

seed capital for important projects in marine and bio-science, as well as a new Science and Technology Council. Conscious of the need to make the State's tax structure more competitive with our neighbors, the Governor proposes establishing a tax policy analysis capacity within the administration.

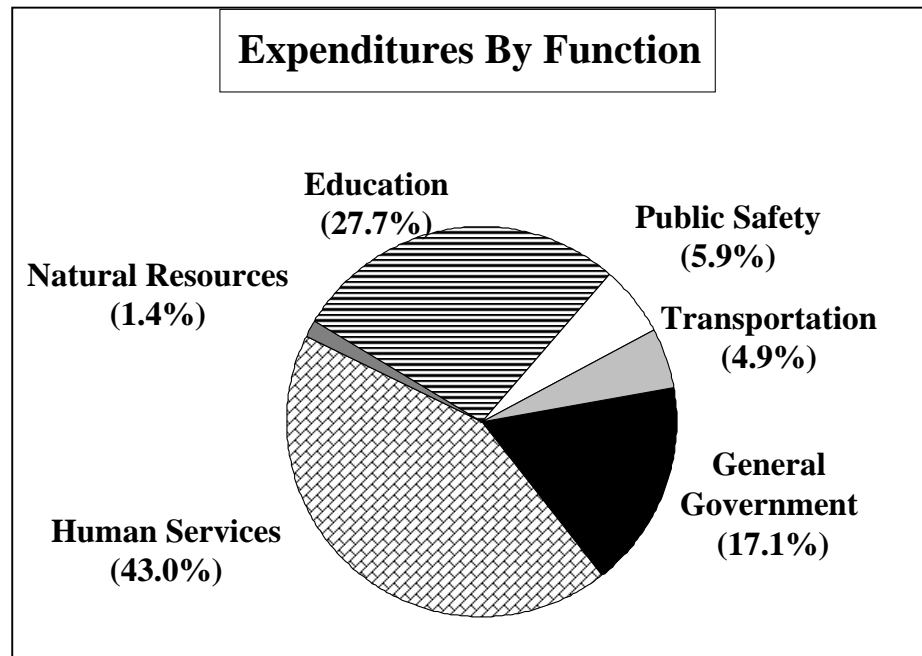
The Governor continues to make important investments in education across the entire spectrum of learners. Adult literacy funds are increased for workers, a major new scholarship program is proposed using projected increases in VLT revenues, and strategic reform initiatives are funded for elementary and secondary education.

All funds expenditures for FY 2006 are \$6.255 billion. Of this total, \$3.070 billion or 49.1 percent is from general revenue, \$1.967 billion, or 31.4 percent, from federal grant funds, \$1.115 billion, or 17.8 percent, from other sources, and \$104.1 million, or 1.7 percent, is from restricted or dedicated fee funds.

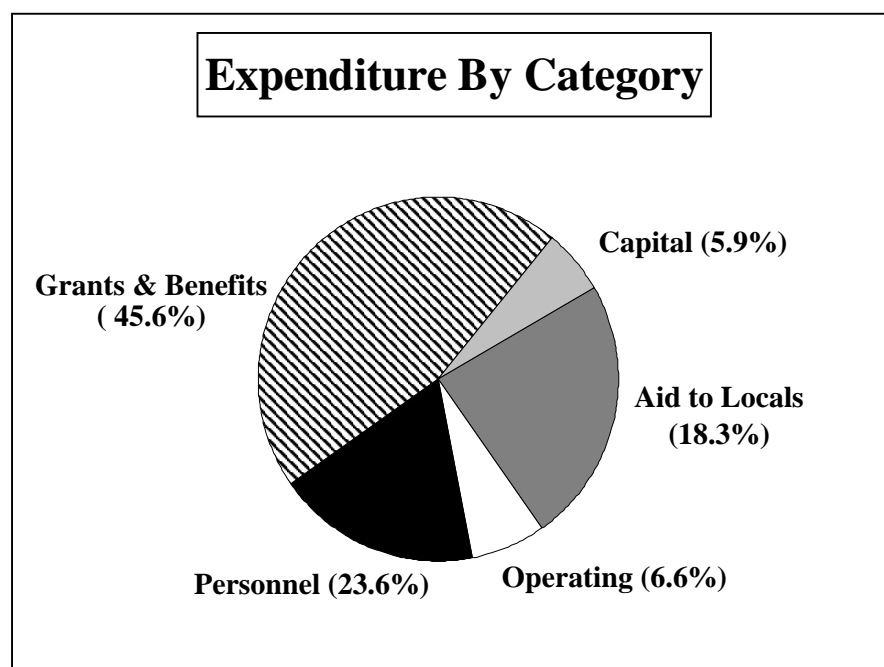


On a functional basis, the largest percentage of expenditures is made in the Human Services area, which comprise \$2.689 billion, or 43.0 percent of the total budget. This is followed by spending for Education of \$1.730 billion, which comprises 27.7 percent of all spending, and expenditures for General Government of \$1.069 billion, equaling 17.1 percent. Public Safety, Natural Resources and Transportation expenditures make up the balance, totaling \$766.4 million, or 12.2 percent of the total budget.

Overview



The second way to view expenditures is by major category. On this basis, the largest share of the budget finances assistance, grants and benefits and equals \$2.855 billion or 45.6 percent of the total. This is followed by personnel expenditures, which comprise 23.6 percent, or \$1.476 billion, and local aid expenditures, which make up 18.3 percent, or \$1.145 billion of the total budget. Capital expenditures total \$366.9 million or 5.9 percent, with the balance of spending used to finance other state operating expenditures of \$411.9 million, or 6.6 percent of the total.



Overview

The recommended budget is financed from total general revenue resources of \$3.070 billion for FY 2006, an increase of \$96.2 million from the revised FY 2005 level of \$2.974 billion. This reflects a 3.4 percent growth rate. An opening surplus of \$10.661 million is also included, as is the reduction for the required transfer to the Budget Reserve Fund of \$62.7 million.

The General Revenue Financing Plan

Expenditures from general revenue total \$3.070 billion for FY 2006, reflecting an increase of \$106.0 million, or 3.6 percent, from the revised FY 2005 Budget of \$2.963 billion. The general revenue fund surplus by year is recorded in the table on the next page. By function, growth rates for FY 2006 general revenues from FY 2005 revised levels are: General Government decreases 2.43 percent, reflecting increased reliance on Rhode Island Capital Plan funds to finance debt service requirements. Human Services increases 5.26 percent, and Education increases 5.04 percent. Public Safety grows by 1.0 percent. Natural Resources increases 10.23 percent, reflecting the Governor's Bay initiative and requirements for a remediation project.

General Revenue Free Surplus (in millions)

	FY 2003 Audited	FY 2004 Unaudited	FY 2005 Enacted	FY 2005 Revised	FY 2006 Projected Deficit	FY 2006 Recommended
Opening Surplus						
Free Surplus	\$31.0	\$42.6	\$43.9	\$47.7	\$0.0	\$10.7
Reappropriated Surplus	7.8	7.3	0.0	10.1	0.0	0.0
Subtotal	38.9	50.0	43.9	57.8	0.0	10.7
Revenues and Transfers						
Revenues	2302.6	2,469.2	2,592.1	2,615.9	2,646.5	2,646.5
Revenue Enhancements	0.0	0.0	0.0	(0.5)	58.6	89.3
Other Sources	454.6	375.7	392.6	361.4	387.6	386.6
Subtotal	2,757.2	2,844.9	2,954.4	2,976.8	3,091.7	3,122.4
Cash Stabilization Fund	(55.6)	(57.8)	(60.0)	(60.5)	(61.8)	(62.7)
Total Available	2,740.3	2,837.2	2,938.3	2,974.1	3,029.9	3,070.4
Projected Expenditures	2,690.3	2,779.4	2,983.3	2,963.5	3,194.1	3,069.5
Free Surplus	42.6	47.7	0.5	10.7	(164.2)	0.9
Reappropriations	7.3	10.1	0.0	0.0	0.0	0.0
Total Ending Balances	50.0	57.8	0.5	10.7	(164.2)	0.9

By function, spending by Human Services agencies represents the largest share with expenditures, totaling \$1.228 billion, or 40.0 percent of the general revenue budget. This is followed by spending for Education, which totals \$1.035 billion, or 33.7 percent. General revenue expenditures for General Government and Public Safety comprise \$468.4 million (15.3 percent), and \$299.1 million (9.7 percent), respectively. Finally, expenditures from general revenues for Natural Resources comprise \$39.4 million, or 1.3 percent of total spending. Transportation expenditures are financed by dedicated gasoline taxes and are not a component of general revenue spending.

Overview

General revenue expenditures by category are primarily devoted to financing grants, local aid and personnel. Grant based expenditures of \$1.051 billion comprise 34.3 percent of total expenditures, while local aid expenditures of \$1.0 billion represent 32.6 percent of total spending. Personnel expenditures of \$772.5 million comprise 25.2 percent of the budget. Operating expenditures total \$163.5 million, or 5.3 percent of the budget. Capital expenditures total \$81.2 million, or 2.6 percent of the total general revenue budget.

***Fiscal Fitness
Generates Close to \$50
Million in Savings and
Resources***

In April of 2003, Governor Carcieri created the Fiscal Fitness Program. The goal of Fiscal Fitness is to make Rhode Island's government cost-effective and, at the same time, to improve customer service. The Fiscal Fitness vision is:

Rhode Island will become a model for the delivery of cost-effective government services to satisfied citizens who have confidence that tax dollars are being spent efficiently. State employees will be treated with dignity and respect, and be recognized for innovation and superior service to the citizens of Rhode Island.

The Fiscal Fitness ideas that are being proposed in this budget will fundamentally change and improve the way state government functions. Governor Carcieri is centralizing four major administrative functions within the Department of Administration, including: information technology, facilities management, legal services and human resources. The centralized management of these functions will lead to the more efficient delivery of higher quality services. Historically, each agency managed these functions independently, with limited collaboration. By centralizing these functions, management can better deploy the State's limited resources to focus on needs across the entire enterprise of state government. Centralized management will also bring about more consistent practices in these areas, which will improve the work environment for staff as well as the quality of services for citizens of Rhode Island.

***Centralization of
Management
Functions***

Efforts to establish these consolidations began in Fiscal Year 2005. Throughout this first phase, the information technology, facilities, legal services and human resources divisions within the Department of Administration have undergone reorganizations to prepare to take on a central management role statewide. Within the information technology, legal services and facilities management divisions, management staff from the various departments have been reassigned to report to the Department of Administration. In addition, the Governor ordered department directors to carefully manage all staffing in these areas in concert with the Department of Administration, in anticipation of this centralization. In phase two, much of which will take place in FY 2006, staff consolidations will continue among management staff, and then extend to non-management positions.

Expenditure savings reported for these initiatives represent savings realized and anticipated through attrition of staff and, in some instances, a reduction in contractors. Centralized management gives the State the ability to assign staff as needed across state government, which yields greater productivity, better management of staffing levels, and a reduced requirement for outside contractors. The all funds savings for the centralizations in fiscal years 2005 and 2006 is \$6,572,521.

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All Funds Expenditure Savings	FY 2005	FY 2006	TOTAL
Information Technology Centralization	\$1,238,145	\$1,225,057	\$2,463,203
Facilities Centralization	\$ 228,744	\$ 314,276	\$ 543,020
Legal Centralization	\$ 714,858	\$ 737,464	\$1,452,323
Human Resources Centralization	<u>\$1,040,419</u>	<u>\$1,073,555</u>	<u>\$2,113,974</u>
Total Impact (All funds)	\$3,222,167	\$3,350,353	\$6,572,521

The Governor is proposing new initiatives in Health and Human Services related to improved fiscal fitness. The first set of initiatives improve the management of state-operated pharmacy programs within the Departments of Elderly Affairs, Mental Health, Retardation and Hospitals, Human Services and Corrections. Another initiative seeks to reduce state expenditures for Medicaid clients in emergency rooms by reducing inappropriate care. Evidence suggests that the State clients receive health services in emergency facilities that should be delivered in less expensive settings. The Department of Human Services will also enhance recoveries for long-term care expenditures. Many of these interdepartmental initiatives will be managed by the Office of Health and Human Services, which the Governor established by Executive Order in 2004. The Governor will also be proposing legislation to create a statutory Secretariat.

***Fiscal Fitness In
Health and
Human Services***

Expenditure Savings	FY 2006
Pharmacy – Purchasing savings in “340 B” program*	\$3,660,500
Pharmacy – Fee for service pharmacy rebates	\$4,688,257
Pharmacy – Nursing home drug waste reduction	\$470,000
Rite Care - Reduce Cost of Emergency Care Treatment	\$2,019,128
Estates and Collections - Liens, Recoveries and Administration	\$1,831,720
Medicaid Maximization - Third Party coverage in managed care	\$1,571,300
Medicaid Maximization – Federal match for alien children	[\$898,000]
Medicaid Maximization – Part B Medicare coverage	[\$441,000]
Medicaid Maximization – COBRA coverage	\$71,000
Long Term Care – Nursing Home Reviews	\$583,655
Total Impact (All funds)	\$16,234,560

*\$1,287,500 of these savings is from rebates that will be recorded as revenue.

Savings for new initiatives in this budget attributable to Fiscal Fitness are in excess of \$22.8 million dollars (this includes \$3.2 million for the centralizations attributable to FY 2005). General revenue savings from Fiscal Fitness ideas initiated in Human Services in FY 2005 total another \$5.7 million in FY 2006. Additional information on the Fiscal Fitness initiative can be found on the Governor’s web site at www.governor.ri.gov.

Overview

This year's capital plan addresses the Governor's desire to create pathways to economic prosperity by developing the infrastructure that will lead to better educational facilities, better jobs, and a high quality of life for Rhode Islanders. The significant investments in our transportation system, at Quonset Point, and in our higher education system will bolster economic development efforts. The preservation of open space and improvements to the quality of the State's precious watersheds are investments to ensure that the quality of life for future generations will be sustained or improved. The expansion of the Emergency Water Interconnect Program is crucial to provide municipal water systems with the ability to respond in times of need for mutual assistance, and will promote homeland security. Development of a new Bay Islands Park system is recommended in FY 2006, and will allow Rhode Islanders to fully appreciate the Narragansett Bay and its islands. By targeting resources provided by general obligation bonds, long-term leases, and pay-as-you-go capital funds, the Governor's plan attempts to build these pathways in each year from FY 2006 through FY 2008.

Charting the course to achieve these goals requires a careful balance of capital needs with affordability. Debt as a percent of personal income is estimated to decline from 4.15 percent in FY 2004 to 3.24 percent in FY 2010. The high point was 8.5 percent in 1994. The Capital Budget includes expenditures of \$76.3

***A Multi-Year Capital Plan
Invests for the Future***

million in FY 2005 from general obligation bond proceeds, and recommends issuance of \$100 million of general obligation bonds in FY2006 and thereafter for transportation purposes, education facilities, clean water projects, acquisition of open space and other projects. The capital budget reflects the infusion of significant funds from the Grant Anticipation Revenue Vehicle bonds (GARVEE) and from motor fuel bonds, which will finance \$660.0 million of critical transportation improvements. The Governor's plan includes expenditures authorized by the voters in November 2004 totaling \$326.5 million and \$114.0 million proposed for the November 2006 ballot to continue required infrastructure improvements. The capital plan also includes long-term financing through previously approved certificates of participation for a new juvenile training school, a new Kent County Courthouse, and a Traffic Tribunal Court Complex.

The Governor's proposed Capital Improvement Plan for FY 2006 - FY 2010 reflects the eighth year in a comprehensive, yet affordable asset protection program that will result in the dedication of over \$260.0 million of current revenues towards preserving Rhode Island's buildings and other assets. The multi-year plan of dedicating increased resources towards pay-as-you-go capital projects was modified in FY 2002 to divert funds for debt service payments to address operating budget deficits. This approach required that numerous planned capital projects be deferred. It is expected that transfers to the Rhode Island Capital Fund Plan will total \$56.4 million and \$59.4 million in FY 2005 and FY 2006, respectively. The Governor recommends that the General Assembly appropriate \$34.2 million from the Rhode Island Capital Plan Fund in FY 2006 for capital projects and dedicates all future resources in FY 2007 and thereafter towards maintaining and improving the State's infrastructure. While the amount dedicated to capital projects is less than the FY 2005 revised level of \$45.8 million, when taking into account carry over funds of \$16.0 million from FY 2004 projects, it is consistent with the FY 2005 enacted level of \$34.5 million.

Overview

Contracts with all employee bargaining units expired by June 30, 2004. The FY 2005 enacted general revenue budget provided for no across-the-board salary increases for state workers. Governor Carcieri recognizes that a fair employee compensation package will require additional funds in FY 2005 and FY 2006. The Governor proposed a cost of living adjustment of two percent for all permanent employees, union and non-union. The Governor also proposed that all state employees begin sharing a portion of their health care insurance premiums, beginning with a three to five percent co-share of health insurance premiums in FY 2005, depending upon salary. Collective bargaining efforts continue. Consequently, this budget does not include financing for across-the-board salary adjustments for union employees. By executive authority, the Governor has authorized a revised compensation plan for non-union classified state employees. Beginning with the fourth pay period of FY 2005, a two-percent salary cost of living adjustment was extended to the members of this class; effectively a 1.77 percent increase of annual compensation in FY 2005. Concurrent with this COLA adjustment was the establishment of co-share of health insurance premiums by these employees. The co-share is five percent of health, vision and dental insurance premiums for all single and family plans. However, for employees with gross wages less than \$35,000 (after the 2.0 percent COLA is added in), the co-share is three percent on family plans. In FY 2006, a second 2.0 percent salary cost of living adjustment is budgeted for members of this class; this is compounded at 4.04 percent of the initially projected FY 2005 annual compensation. Concurrent with this COLA will be an additional adjustment to employee health insurance c-shares. The co-shares will be 10.0 percent of health, vision and dental insurance premiums for all single and family plans. However, for employees with gross wage less than \$35,000 (after the combined COLA's are included), the co-share will be 6.0 percent on family plans. The total estimated value of these items are \$2.1 million for the COLA, and \$382,000 from medical co-shares in FY 2005, for a net increase of \$1.7 million, and \$4.4 million for the COLA, offset by savings of \$1.7 million from medical co-shares in FY 2006, for a net increase of \$2.06 million. This budget does include similar COLA/co-share adjustments for all employees in Public Higher Education. The Higher Education budget reflects \$4.2 million for COLA offset by \$1.3 million in savings for the medical co-share in FY 2005 and \$9.7 million for COLA offset by \$3.4 million in savings for the medical co-share in FY 2006. When provisions of negotiated contracts are known, the budget will be amended to finance the additional costs for the balance of the workforce.

***Compensation Package for
the Majority of Workforce
to be Negotiated***

An important aspect of good government is ensuring that the Employees Retirement System of Rhode Island (ERSRI) is affordable, fair and fiscally sound. A nationwide study in October 2002 ranked the Rhode Island state workforce as the oldest in the country, with an average age of 48. As the number of retirees grows, the number of active employees remains constant or declines. The Governor formed a pension review committee to study the Employees Retirement System. This committee consists of representatives of the Administration, organized labor, the business community, and the General Treasurer. The committee began work in the fall of 2003 and prepared an analysis of the existing system and alternatives to ensure the long-term viability and affordability of the system. The FY 2005 and FY 2006 budgets contain a proposal to change the Rhode Island employer contribution to both the State Employee Retirement System and the Teacher Retirement System based upon changes in the benefit structure for non-vested employees and new employees hired after April 1, 2005. In addition to the affordability aspect, the long-term health of the pension system is in

***A Solution is Proposed for
the Pension and Retiree
Health Funding Dilemma***

Overview

jeopardy unless there are increased resources devoted to address the \$1.2 billion of unfunded liability of the State Employees System and the \$1.9 billion unfunded liability of the Teachers System. The proposal also provides for supplemental pension funding by dedicating anticipated state general fund surpluses exceeding \$30 million to reducing the unfunded liabilities of the state employee pension plan, teachers pension plan, and retiree health plans, with one third of such surpluses being devoted to each plan.

The state funded health care costs of retirees continues to be an area of significant concern. Unlike pension benefits, the State finances retiree health costs on a pay-as-you-go basis and has no reserves for current and future retirees. A recent actuarial study revealed that Rhode Island's unfunded liability for these benefits for State employees and State Police is over \$600.0 million. State participation in retired teacher health benefits adds another \$29.9 million to this problem. The Governor seeks the concurrence of the General Assembly that the State shall establish a trust fund in FY 2007, which would require contributions from the State based upon an actuarially determined rate beginning in FY 2008.

***Governor Proposes
Property Tax Relief to
Elderly and Disabled***

The Governor recommends increasing funding for the Property Tax Relief program from \$6.0 million, as required under current law, to \$10.0 million in FY 2006. This will finance an expansion in the maximum rebate payment per claim from \$250 to \$500. Claimants under this program are entitled to this rebate in an amount equal to the amount by which property taxes or rent constituting property taxes exceeds a certain percentage of the claimants household income.

Eligible recipients under this program are homeowners or renters 65 years of age or older, disabled persons and households with incomes of \$30,000 or less. Under current law, claims from those 65 years of age or older and disabled persons are processed first. Once these claims are processed, remaining claimants are paid on a pro-rated basis on any funds remaining out of the total appropriation. In FY 2004, approximately 25,000 claims were filed by members of the first tier (those 65 years or older and/or disabled), with payments made totaling \$5.73 million. The second tier group of approximately 15,500 claimants received a pro-rate share of the \$0.27 million balance. Under the proposed expanded program, it is anticipated that the higher credit of \$500 will be an incentive for additional eligible Tier I claimants to file a claim (approximately 1,300) such that the entire appropriation of \$10.0 million will be used to satisfy these claims. For this reason, the Governor recommends amending legislation to limit payments under this program to those in the Tier I category.

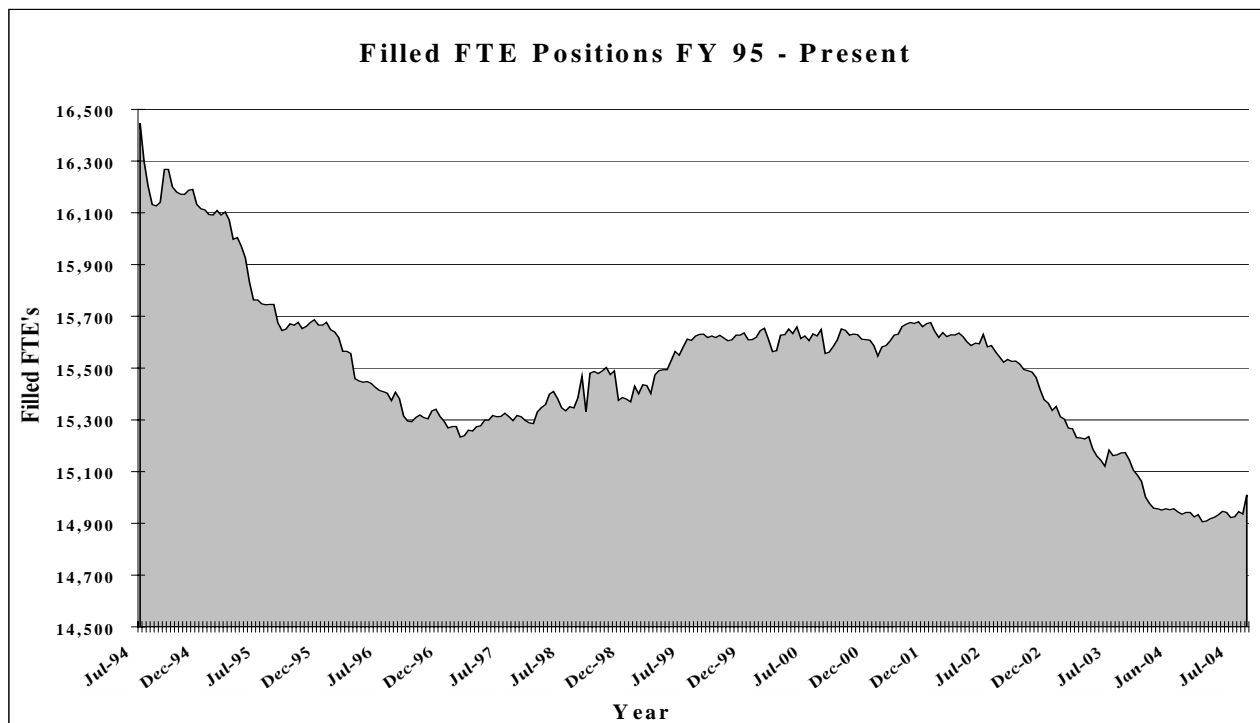
***State Employee Counts at
Historic Lows - With no
Layoffs***

Governor Carcieri has managed State government with fewer State employees than any administration since equivalent positions have been recorded. As of December 31, 2004, the number of filled positions, excluding exempt position in higher education, was 14,606.0 full-time equivalents (FTEs). This is 840.2 FTE positions below the enacted FTE cap of 15,446.2 FTEs (excluding sponsored research

positions in Higher Education), and is consistent with the Administration's constrained hiring practices and the management of state government operations in a fiscally prudent manner. Based upon vacancies in certain agencies, and requirements for FTEs in other agencies, the Governor recommends net adjustments resulting in an additional 38.3 FTE's, for a total of 15,484.4 in FY 2005. The enacted full-time equivalent ceiling, or FTE cap, for positions in state government, including Higher Education

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sponsored research positions, would increase from 16,227.2 to 16,265.5 in FY 2005. For FY 2006, the Governor recommends increasing the FTE cap by 60.4 from the revised FY 2005 FTE cap of 15,484.5 to 15,544.9 for FY 2006, reflecting primarily the expansion of campuses for the Community College of Rhode Island, vision services, and nursing and pharmacy programs (33.0 FTEs), public safety positions (19.0 FTEs), and Elementary and Secondary Education initiatives (8.0 FTEs). The FTE cap including Higher Education sponsored research positions would increase to 16,329.9.



Data captured under the heading Jul-04 is from pay periods July 4, 2004 through December 31, 2004.

The Governor recommends continued investments in public safety to address the costs to society of the cycle of incarceration. These investments will produce the infrastructure that is needed to support those members of society who need guidance and counseling as they proceed to become law abiding members of the community. In prior budgets, the Governor recommended funding for equipment and 3.0 FTE positions in Corrections to operate an expanded video arraignment program to include all Providence County arraignments, including the Sixth District Court. The Governor also recommended 2.0 FTE arraignment attorneys in the Office of the Public Defender, which were assigned to the Providence County caseload. The augmented resources have reduced the length of pretrial custody and improved both security and efficiency in handling inmates.

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In FY 2006, the Governor recommends an additional 5.0 FTEs in the Office of the Public Defender to expand the Defender Advocacy Program to serve Kent and other county court systems. The program provides assistance to indigent clients with substance abuse, mental health, employment, and homelessness problems in order to advocate for alternatives to incarceration, for bail reduction, and for treatment options. The Governor anticipates additional reductions in the inmate population from the program expansion, and has included a reduction of \$1.5 million in per capita operating and overtime expenditures, anticipating near-continuous closure of six Intake Service Center housing units in FY 2006.

***Public Safety
Investments Control
Major Driver in State
Spending***

The Governor recommends sufficient general revenue appropriations to finance start-up costs for the Reintegration Center, which is now scheduled to open in FY 2007. The Department of Corrections plans to use the facility as a center for discharge planning for maximum and medium security inmates nearing release. Intensive evaluation and services in the areas of substance abuse prevention, life skills development, educational and vocational job readiness, family responsibility, mandatory community service, and mental and physical health education, will be provided. The Governor recommends an additional \$300,000 in general revenue to replace expiring federal funding for inmate re-entry programs that serve 350 sentenced offenders that are released in the Providence area each month.

With respect to juvenile offenders, the Governor recommends an additional \$1.2 million in general revenue funds in the FY 2006 budget of the Department of Children, Youth and Families to finance the continuation of Project Hope. This program is an initiative that uses CASSP (Child and Adolescent Services System Program) values to assist adjudicated, incarcerated youth with serious emotional disturbances at the Rhode Island Training School for Youth make a successful and safe return to the community. The wraparound services that this program provides includes vocational related costs, including tools and interview clothing. To date, Project Hope has been federally funded. The Project Hope federal grant will expire in September 2005.

The Governor recommends a \$522,807 increase in FY 2005 for Indigent Defense Fund legal services to implement a new fee schedule for court-appointed lawyers initiated by order of the Chief Justice of the Supreme Court. The Governor recommends funding in FY 2006 to annualize these new rates resulting in additional appropriations of \$966,000, or a total of \$3.2 million for the defense of indigents program.

The Governor recommends major investments in education. The FY 2006 budget recommendation for all programs defined as education aid totals \$816.6 million, reflecting an increase of \$37.1 million, or 4.8 percent from FY 2005 revised levels. Funding for fully-distributed education aid, including the Davies Career and Technical School, the Metropolitan School, and charter schools are funded at \$685.1 million, a \$17.9 million increase over FY 2005. Of this total, general aid distributed directly to communities increases by \$12.5 million, Central Falls funding increases \$3.2 million, Metropolitan School financing increases \$1.5 million, and Davies school support increases by \$430,234, and School for the Deaf increases by \$226,986.

***Local Education Aid
Up \$37.1 million,
a 4.8 % increase***

Overview

Direct aid to charter schools, school construction aid, and teacher pensions are major drivers in the comprehensive education aid budget as they increase \$3.9 million, \$4.7 million and \$10.1 million, respectively. School construction support is based on an estimate of new projects and/or increased project costs. The employer share of retirement costs for teachers reflects the Governor's proposal to modify the benefit structure for non-vested and new teachers hired after April 1, 2005. The cost would be \$2.3 million higher in FY 2005 and \$12.8 million higher in FY 2006 without the effect of the Governor's reform proposal. Local governments are expected to save approximately \$4.7 million in FY 2005 and \$18.5 in FY 2006 in local taxpayer funds from this proposal.

The Governor's education budget also increases funding for several targeted intervention strategies aimed at improving student achievement at underperforming schools. Three directed appropriations are provided: \$250,000 to strengthen local science and technology programs, \$150,000 to improve the leadership capacity of principals in our schools, and \$400,000 to develop a statewide curriculum in english language arts and mathematics. A statewide system of school and district accountability requires a technology infrastructure that integrates information collection, storage and analysis. The FY 2006 investment of \$1.2 million will support district participation in the state's student information collection system as well as initiation of a data warehouse and data extraction capabilities. Of the \$1.2 million, \$100,000 will be used to analyze how data can be used to support teacher quality. In addition, Progressive Support and Intervention increases \$0.8 million to provide more assistance to those schools in need.

Building on the Governor's FY 2005 initiative to address the significant unmet need for educational services to the blind and visually-impaired youth of Rhode Island, the Governor recommends a multi-year expansion of the program. He recommends an additional \$250,000 in general revenue appropriations and anticipates an additional \$140,000 from local school districts to support 4.0 new FTE positions. This will finance two additional teachers and create in-state capacity for orientation and mobility services, also requiring two additional staff at the Sherlock Center at Rhode Island College. FY 2006 is the first year in a four-year phase-in with the goal of serving all of Rhode Island's eligible visually-impaired students. Additional staff will be added as students' needs are confirmed with a 50 percent match requirement provided by districts.

<p><i>Adult Literacy Programs Coordinated and Expanded</i></p>

The Governor also proposes additional state financing of \$2.6 million for his continued effort to improve adult basic education initiative. The Governor proposes to serve more adult learners and increase the hours of instruction per adult learner in order to increase the number of adult basic education learners earning GED's, Work Readiness Certificates, and transitioning to college. The Governor's budget

includes a new Adult Education Director position responsible for aggressively pursuing federal, private foundation, and business support with the intent of maximizing funds budgeted for teachers and direct operating costs. The value of this investment is realized in increased work readiness and economic competitiveness in our state, and enhances the lives of adult basic education learners in general.

Overview

***Support for Higher
Education Institutions
grows by 4.2%- FTE
positions added***

For FY 2006, the Governor recommends total expenditures of \$671.8 million for Public Higher Education, including \$182.2 million in general revenue, \$3.1 million in federal funds, \$485.9 million in other funds, and \$0.6 million in restricted receipts. Other fund sources include tuition and fee revenues, which are projected to grow by \$23.9 million, or 10.7 percent. General revenues increase by \$7.2 million from revised FY 2005 levels and include additions of \$0.7 million for the opening of the Community College of Rhode Island Newport

Campus, a \$2.0 million transfer from the Department of Administration for Shepard's Building operations and parking, and \$4.6 million in personnel and operating adjustments. The Governor's recommended Public Higher Education budget includes financing for a COLA and medical co-share for all higher education employees.

Tuition revenues are expected to grow \$7.7 million from tuition rate increases of approximately 8.9 percent at the University, 8.5 percent at the College, and 8.8 percent at the Community College. The average national tuition increase in FY 2005 was 8.4 percent. Pursuant to current law, both the FY 2005 revised budget recommendation and the FY 2006 recommended budget include debt service expenditures within the Department of Administration benefiting Public Higher Education. In FY 2005, debt service of \$15.4 million is recommended and in FY 2006, \$15.5 million is included. Recognizing increased debt service costs recorded in the Department of Administration, state financed expenditures in FY 2006 for Higher Education increase by a total of \$7.4 million, or 3.9 percent, compared to FY 2005 levels.

For FY 2006, the Governor recommends 4,374.7 FTE positions. This represents an increase of 37.0 positions from the FY 2005 revised level. The Vision Impaired Program initiative at the Sherlock Center at Rhode Island College adds 4.0 FTE positions. Opening of the Newport Campus of the Community College on an annualized basis requires 17.0 new positions, while expanding Nursing Programs accounts for 13.0 new positions. Expansion of the Pharmacy Program at the University, because of a nationwide Ph.D degree requirement, includes three new positions.

Continuing his initiative to make higher education affordable for all, the Governor proposes a major new investment in scholarships. In the FY 2006 budget for the Higher Education Assistance Authority (HEAA), the Governor recommends total funding for needs-based and other scholarships of \$14.9 million, including general revenue of \$8.9 million, federal funds of \$0.4 million, and \$5.5 million in other funds. This total is \$1.0 million more than the enacted FY 2005 level, due to increased

resources from other funds. These funds are derived from provisions in the contract with the manager of the Rhode Island 529 Tuition Savings Plan. The Plan, which is marketed nationally, has experienced continuous expansion, with the contractual benefits directed primarily to Rhode Island scholarships. In FY 2004, the Governor doubled general revenue support for scholarships. The maximum scholarship award was increased to \$1,400 in academic year 2004 (AY 2004) from \$750 in academic year 2003 (AY 2003). Not only was the maximum award increased but so was the average scholarship award, rising from \$587 in AY 2003 to \$1,101 in AY 2004. In academic year 2005, the average scholarship is \$1,200. These increases in the maximum and average scholarship awards allowed HEAA to double the percentage of student financial need met from 15 percent in AY 2003 to 30 percent in AY 2004 and AY 2005.

***Governor Proposes
Bold New Scholarship
Program***

Overview

Finally, the number of students who received awards also increased from approximately 10,700 in AY 2003 to 11,000 in AY 2004. In AY 2005 the total is expected to be 11,500.

In order to continue his pledge to increase access to Higher Education, the Governor recommends that any additional resources, when available, resulting from the 459 currently authorized video lottery terminals (VLTs) that are being installed at Lincoln Park should be allocated to needs based scholarships to further improve access to higher education. At the time of the November 2004 Revenue Conference, there was uncertainty surrounding the timing of the installation of the previously authorized machines, and it has since been publicly reported that Lincoln Park is proceeding with the project in currently available space. The Governor recommends an increase in State Grants for need-based scholarships by an estimated \$20 million when these funds are available. These additions would serve an additional 5,000 students and will permit eligible Rhode Island students to attend any Rhode Island public institution of higher learning at no cost as related to the costs of tuition, services and books. The average award will increase by approximately \$550 resulting in an estimated average award of \$1,650. The maximum award will be increased from \$1,400 to \$2,000. Additionally, the Governor recommends a \$1,000 award to any needy Rhode Island student pursuing a nursing, mathematics or science degree in any public or private institution in the state. The Governor's commitment to allocate an estimated \$20.0 million of VLT revenues to these programs will result in an increase in the needs met from 30 percent to 40 percent in FY 2006.

The FY 2006 budget includes level funding of most aid programs for local communities, and provides minor increases in other aid categories. The General Revenue Sharing program is recommended at \$53.4 million, an increase of \$1.0 million from FY 2005. The Governor proposes to amend the current General Revenue Sharing statute to fix the distribution level for FY 2006 equal to the amount appropriated, and to fix future distributions at 3.0 percent of tax revenues in FY 2007 and thereafter.

<i>Local Aid</i>

The Motor Vehicle Excise Tax Phase-Out program is fully funded based upon current law at \$105.0 million, an increase of \$12,954 from the FY 2005 budget. The Payment-in-Lieu-of-Taxes (PILOT) program is level funded at \$22.7 million, which will require payments to eligible communities to be ratably reduced to 84.0 percent of the level required under full funding of this program. The Distressed Communities Relief program is funded at the FY 2005 enacted level of \$8.5 million. The Governor proposes to amend current law to permit FY 2006 disbursements under this program to be equal to the amount appropriated. In addition, the Governor proposes to eliminate the link between this program and collections from the real estate conveyance tax and video lottery terminal revenues and to establish that distributions will be based upon annual appropriations.

State Library Aid is fully funded at \$8.4 million to reimburse local libraries for 25.0 percent of FY 2004 expenditures from local appropriations and endowment funds. Library Construction Aid will increase \$110,158 over the FY 2005 revised funding level to fully fund projected FY 2006 payments for current commitments. The Municipal Police and Firemen Incentive Pay programs are level funded at \$1.1 million. Finally, the Property Revaluation program is funded at \$1.0 million to reimburse those communities scheduled to perform revaluations or statistical updates during FY 2006.

Overview

Municipal governments will be able to take advantage of a tipping fee rate freeze with the Resource Recovery Corporation, if they achieve a 20 percent minimum recycling threshold. If the current twelve communities currently achieving at least 20 percent continue at current (FY 2004) recycling levels, the local savings would be approximately \$832,000. If the 25 communities create or expand current programs to achieve a 20 percent recycling rate, an additional \$3.6 million could be saved. The Governor recommends this incentive-based system to encourage recycling which will extend the life of the State's landfill.

Affordable Housing

The Governor recommends the establishment of an Office on Housing and Community Development to coordinate housing issues statewide. Also, the Governor recommends continuing the \$5.0 million funding for the Neighborhood Opportunities Program through a financing agreement with the RI Housing and Mortgage Finance Corporation. The housing plan prepared by the Housing Resources Commission recommends the production of 100 units of housing each year to meet the needs of families who work at or near minimum wage, and to create permanent supportive housing for disabled individuals who are homeless or in danger of becoming homeless.

The State of Rhode Island has developed an expansive support system to assist the most economically needy. The RiteCare health insurance program is recognized as the most comprehensive and effective in the nation. The state's sixty-month term, during which welfare clients are provided cash assistance, education, job training, and child care opportunities, is the most generous in the country and the maximum allowed under federal statutes. These programs have been costly, and require a comprehensive study to determine if Rhode Island has fared as well as other states in breaking the cycle of dependence.

Human Services Programs Modified

The Governor proposes to expand upon several actions included in the FY 2005 budget to contain costs by increasing eligibility reviews, strengthening fraud and abuse detection, scrutinizing provider payments, and increasing third-party payments.

The expansion of the Front End Detection Unit at the Department of Human Services is fully staffed from the addition of four positions is forecast to reduce child care and cash assistance costs by approximately \$1.2 million in a portion of FY 2005; the savings are estimated to approach \$3.0 million in FY 2006. The Governor proposes to further reduce state costs for child care by \$1.4 million in FY 2006 by increasing co-payments for families above 150 percent of the federal poverty level.

Statutory revisions enacted to the Family Independence Program reduce general revenue cash assistance costs by \$1.3 million in FY 2005 by imposing sanctions against continued benefits to families with parents in non-compliance with employment plans, establish income tax intercepts for overpayments, and allowing voluntary settlements against future cash assistance. These initiatives are expected to generate savings of \$2.7 million in FY 2006. New proposals in the Governor's FY 2006 Budget would save an additional \$2.1 million by further reducing the period of non-compliance from employment plans, and requiring completion of a plan before qualifying for cash assistance payments.

Reductions to Medical Benefits expenditures in the Department of Human Services, from the levels adopted by the caseload conference also include savings from expanded effort in the areas of claims

Overview

management, third party recoveries, eligibility reviews, disease and pharmaceutical management, admissions reviews, and error reduction. In FY 2005, estimated reductions in general revenue costs approach \$6.0 million. Additional efforts proposed for FY 2006 would net general revenue savings from third party sources, including pharmaceutical manufacturers and federal programs of \$6.0 million, and savings of \$2.0 million from delivery of treatment in the most appropriate settings, including expanding opportunities for client-directed care for People Actively Reaching Independence (PARI), and beginning delivery of dental services to children in a managed care setting.

***New Investments to
Protect the
Environment***

The Governor proposes major new investments to protect the State's natural resources. The Governor proposes a new \$1.0 million investment in statewide monitoring of water pollution sources, in order to implement systematic assessments of surface and ground resources used for drinking water and recreational purposes, and to remedy past practices that continue to compromise water quality in Rhode Island. The Governor's

new Rhode Island Bays, Rivers and Watersheds Coordination Team will assist in the effective use of \$8.5 million in general obligation bond authority approved by the voters in November 2004 for Narragansett Bay watershed restoration, in cooperation with environmental agencies and other non-profit and private groups committed to environmental health. New bond authorizations in the amount of \$8.0 million for groundwater and wellhead protection were approved by the voters and are included in the Governor's capital budget, to ensure that current and future sources of drinking water remain protected. The voters also approved \$10.5 million to finance wastewater treatment upgrades, \$15.0 million for open space and farmland acquisition, \$10.0 million for local open space acquisition, \$6.0 million for municipal park and recreation development, and \$12.0 million for state recreational facilities including \$4.0 million for Roger Williams Park and \$3.0 million for Fort Adams State Park in Newport, all of which are included in the Governor's recommendations. The recommended FY 2006 general revenue appropriation for the natural resource function of \$39.4 million is 10.2 percent, or \$3.6 million, greater than the revised FY 2005 budget of \$35.7 million. The increase relates to: \$2.0 million in Environmental Management for the state's share of remediation costs at the Rosehill Landfill Superfund site; \$1.0 million for enhanced water quality monitoring to measure the progress of pollution control upgrade investments, and to isolate existing and emerging pollution sources; and, statewide personnel and benefit adjustments for the 576.1 FTEs in the State's environmental agencies. The Governor's capital plan recommendation for environmental agencies includes \$35.9 million in FY 2005 and \$36.3 million in FY 2006 to finance environmental and recreation facility projects, to repair state-owned fishing piers and dams, to purchase land and development rights for water protection, to create interconnection and allocation plans for the state's public drinking water suppliers and, to restore wildlife habitats. Capital plan financing comes from general obligation bonds, federal grants, Rhode Island Capital Plan funds, restricted receipt resources, and third party contributions.

The Budget Reserve Fund will remain fully funded at 3.0 percent of total resources in the Governor's budget recommendation. The use of the reserve fund to resolve the FY 2006 budget problems is not considered a viable alternative due to the relationship with the Rhode Island Capital Plan Fund and the constitutional and statutory requirements for repayment. The Governor's recommendation is based upon the policy that Budget Reserve Funds should be used only for an unanticipated shortfall, which would be impossible to address in the time permitted. The FY 2006 projected deficits have been

***Budget Reserve Fund
Remains Intact***

Overview

anticipated and are resolved by the budget plans recommended. Any use of the budget reserve fund would create a larger structural problem.

***Five-Year
Projection***

The Fiscal Year 2006 executive summary also contains a five-year forecast as required by statute. The forecast warns that pressures to enhance educational services and other local aid programs, state employee and retired state employee compensation, and supportive programs for the more vulnerable segments of the population, are predicted to result in expenditure growth that outpaces revenue generation. By fiscal year 2010, it is estimated that expenditures will exceed revenues by \$96.0 million, given the current FY 2006 revenue and expenditure base, and recommended statutory changes.

The Governor's recommended FY 2006 general revenue receipt estimate of \$3.1 billion is 4.9 percent greater than FY 2005 revised levels. This includes \$3.03 billion estimated by the November 2004 Revenue Estimating Conference and \$89.2 million in recommended changes to the adopted estimates. The estimated \$164.0 million deficit assumed that the hospital licensing fee enacted in FY 2005 would be repeated and would again generate \$58.6 million of revenues, therefore the additional changes the Governor is proposing total \$30.6 million. The Governor's proposed changes also includes \$7.7 million from enhanced collections of court fines and fees due to proposed statutory changes, \$5.8 million by increasing the rate of the hospital licensing fee, \$4.5 million from the Resource Recovery Corporation, \$3.1 million from elimination of the exemption from Beacon Mutual Insurance Company from the insurance gross premiums tax, \$2.1 million from a tax on aviation fuel, \$2.0 million from the Underground Storage Tank Replacement Fund, \$1.9 million from increased indirect cost recoveries, \$1.9 million from the prepayment of the cigarette tax, \$0.5 million from the elimination of certain corporate tax credits, and other miscellaneous departmental revenues.

***Revenue Increases
Help Resolve only
19% of the \$164
Million Deficit***

Retirement

As discussed in the Overview section, the FY 2005 and FY 2006 budgets contain a proposal to change the State's employer contribution to both the State Employee Retirement System and the Teacher Retirement System based upon modifications to the benefit structure for non-vested employees and new employees hired after April 1, 2005. These changes to the system are recommended in order to reduce the growth in state and local funds required for employer contributions on an annual basis. The Governor does not recommend any change to the current 8.75 percent state employee or 9.5 percent teacher contribution rate. The Governor's proposal also provides for additional resources, when available, to be dedicated to reduce the unfunded liabilities.

The required funding for state employees and teachers retirement continues to increase. For FY 2004, the employer contribution rate was 9.6 percent for payroll. For FY 2005, the recommended employer contribution rate was 11.51 percent. In FY 2006, the rate would be 16.96 percent, absent any change to modify future benefits for non-vested employees. To cope with these increases, the Governor's proposal incorporates the following recommendations that would apply to all current state employees and teachers with less than ten years of service and all new employees effective April 1, 2005. The Governor proposes no changes to the benefits of state employees and teachers with ten or more years of service.

Change in Age Eligibility

<u>Current</u>	<u>Proposed</u>
28 Years of Service	Age 60 with 30 Years of Service
or	or
Age 60 with 10 Years of Service	Age 65 with 10 Years of Service

Change in Benefit Accrual Rates

<u>Years of Service</u> <u>(YOS)</u>	<u>Current Accrual</u> <u>Rates</u>	<u>Proposed Accrual</u> <u>Rates</u>
1 to 10	1.7 %	1.60 %
11 to 20	1.9 %	1.80 %
21 to 25	3.0 %	2.00 %
26 to 30	3.0 %	2.25 %
31 to 34	3.0 %	2.50 %
35	2.0%	2.50%
36 to 37	0.0 %	2.50 %
38	0.0 %	2.25 %
Maximum Accrual	80% at 35 YOS	75% at 38 YOS

Change in Cost of Living Adjustment

<u>Current</u>	<u>Proposed</u>
3.0 % annually effective on the 3 rd January 1 after retirement	Prior calendar year's U.S. Consumer Price Index, up to a maximum of 3.0 %, effective on the 3 rd January 1 after retirement

Retirement

These changes for the state employee plan will result in general revenue savings of \$1.3 million in FY 2005 and \$7.7 million in FY 2006. Savings from all state fund sources total \$2.2 million in FY 2005 and \$12.9 million in FY 2006. Additionally, the State will save \$2.3 million in the State contributions to the Teachers Retirement plan in FY 2005 and \$12.8 million in FY 2006, budgeted within the Department of Elementary and Secondary Education. Local governments will also save on contributions estimated to be \$3.2 in FY 2005 and \$18.4 in FY 2006. Despite these savings, the State's general revenue contribution to state and teacher pensions will grow from \$91.5 million in FY 2005 to \$116.8 million, a \$25.4 million or 27.6 percent increase. State and local taxpayer dollars allocated to state employee and teacher pensions increase from \$188.2 million to \$238.9 million, an increase of \$50.7 million or 26.9 percent.

Within state agency budgets, employer retirement contributions are budgeted at 15.29 percent of payroll. In the Department of Administration, increased general revenue savings attributable to the final proposed rate of 14.83 percent, or \$1.7 million in dollar savings, are budgeted. Also, the proposed implementation date of April 1 will generate an additional \$1.3 million in reduced general revenue retirement contributions for state employees in FY 2005.

These modifications to the benefit structure are supplemented by a commitment to increase resources going into the trust funds to reduce the unfunded liability. The proposal also provides for a method of supplemental pension funding whereby any anticipated state general fund surpluses exceeding \$30,000,000 would be dedicated to reducing the unfunded liabilities of the state employee pension plan (one third), teachers pension plan (one third), and retiree health plans (one third).

The Economy

Introduction

The Consensus Revenue Estimating Conference (REC) convenes at least twice each year, typically within the first ten days of May and November. Historically, the purpose of the conference was confined to forecasting current and budget year revenue estimates. During the 1998 legislative session, the Revenue Estimating Conference statutes were modified to also require the adoption of a consensus economic forecast. Prior to the November 2001 conference, the conferees adopted a forecast for Rhode Island total employment, Rhode Island personal income, and the U.S. consumer price index for all urban consumers (CPI-U) covering the state's last fiscal year, its current fiscal year, and the budget year.

In 2001 the Rhode Island Division of Taxation procured an updated personal income tax simulation model. This acquisition required that additional economic variables be forecasted at the Revenue Estimating Conferences beginning with the November 2001 conference. Thus, in addition to Rhode Island total employment, Rhode Island personal income and the U.S. CPI-U, forecasts for Rhode Island wage and salary income, Rhode Island farm income, Rhode Island non-farm business income, Rhode Island dividends, interest and rent, Rhode Island total transfer payments, the Rhode Island unemployment rate, the interest rate for ten year U.S. Treasury notes, and the interest rate for three month U.S. Treasury bills are also agreed upon at the Revenue Estimating Conference. Finally, the consensus forecast of these economic variables now includes the last calendar and fiscal years, the current calendar and fiscal years, the budget calendar and fiscal years, and the next seven calendar and fiscal years.

Past Performance

During the November 2004 Revenue Estimating Conference, the conferees heard testimony from the state's two economic consulting firms, *Economy.com* and *Global Insight*. Both of the firms' representatives projected that growth in real U.S. gross domestic product (GDP) will improve in the third and fourth quarters of calendar year 2004 after hitting a soft patch in the second quarter. *Global Insight* forecast third quarter real U.S. GDP growth of 4.2 percent while *Economy.com* projected third quarter real U.S. GDP growth of 3.7 percent. *Global Insight* cited increased consumer spending as underpinning its third quarter growth forecast while *Economy.com* noted that stronger auto production and residential and commercial construction would be key contributors to its third quarter forecast. Both *Economy.com* and *Global Insight's* forecasters expected the fourth quarter of 2004 to build on the momentum of the third quarter with the end result being growth in real US GDP of 4.3 percent as compared to the 3.0 percent growth tallied in 2003.

In a report released on December 22, 2004, the Bureau of Economic Analysis (BEA) indicated that third quarter growth in real U.S. GDP was 4.0 percent vs. the 3.3 percent revised rate of growth that occurred in the second quarter of 2004. According to the BEA, "[T]he major contributors to the increase in real GDP in the third quarter were personal consumption expenditures (PCE), equipment and software, exports, government spending, and residential fixed investment." The BEA further notes that "[T]he acceleration in real GDP growth in the third quarter primarily reflected an acceleration in PCE and a deceleration in imports that were partly offset by a downturn in private inventory investment and a deceleration in residential fixed investment." The acceleration in PCE was driven in large part by final sales of computers and motor vehicle output. The former contributed 0.18 percentage points to third quarter real GDP growth versus less than 0.01 percentage points to second quarter real GDP growth. The latter contributed 0.34 percentage points to third quarter real GDP growth versus subtracting 0.58 percentage points from second quarter real GDP growth.

The Economy

The growth in real U.S. GDP finally translated into job gains in 2004. Seasonally adjusted growth in U.S. non-farm employment through November, the most recent month available, was 1.0 percent, or 1,259,300 jobs. This is a marked turnaround from 2003 through November, when non-farm employment growth was -0.3 percent, or a loss of 437,500 jobs. *Economy.com* forecasts that the annualized percent change in U.S. non-farm employment for 2004 will be 1.1 percent while *Global Insight* projects a growth rate of 1.0 percent.

For calendar year 2005, both forecasters project real U.S. GDP growth of 3.4 percent. Both forecasters believe that continued high oil/energy prices, weaker automotive sales, further tightening of monetary policy by the Federal Reserve and the resulting higher interest rates, and the waning stimulus from the large federal tax cuts of 2001-2003 will dampen the U.S. economy's growth prospects. In addition, both forecasters expect stronger employment growth in 2005 with *Global Insight* projecting U.S. non-farm employment growth of 1.7 percent while *Economy.com* forecasts a growth rate of 1.8 percent. Each forecaster believes that growth in corporate profits, due to strong labor productivity gains, enhanced liquidity and cash flow, and improving corporate balance sheets will spur business investment spending and that increased spending will translate into the stronger job growth noted above.

Rhode Island's economic performance in 2004 has been nothing short of remarkable. *Economy.com* has projected that Rhode Island, along with Maine, reached a new employment peak in 2004. Seasonally adjusted growth in RI non-farm employment through November, the most recent month available, was 1.0 percent, or approximately 5,000 jobs, and the State attained a new employment peak of 488,400 in the period. Maine's growth in total non-farm employment was 0.8 percent on a year-over-year basis through November and allowed Maine to reach a new employment peak at 610,600. New Hampshire and Vermont are projected to reach a new employment peak in 2005. New Hampshire led the region with growth in total non-farm employment of 1.3 percent in the period ending November 2004. New Hampshire, however, remains below its previous employment peak attained in 2001. Vermont experienced strong non-farm employment growth of 0.7 percent on a year-over-year basis through November adding 2,200 jobs. Not enough, however, to allow it to attain a new employment peak. Finally, Connecticut and Massachusetts are not expected to reach new employment peaks until 2007 or later. In the 2004 period through November, both Connecticut and Massachusetts experienced negative employment growth on a year-over-year basis with Connecticut shedding 1,700 jobs and Massachusetts 18,000 jobs. This marks the third year in a row that these two states have experienced negative employment growth.

The State's housing market remained robust in 2004. *Global Insight* predicts that the median price for existing single family homes in Rhode Island will rise by 11.7 percent in calendar year 2004. Over the past three years, price appreciation in Rhode Island's housing market has been the strongest of all of the New England states. According to the Office of Federal Housing Enterprise Oversight (OFHEO), during the 2000 to 2004 period, on a year-over-year basis through the third quarter of each calendar year, Rhode Island housing prices have increased by double digits in four of the five years. Only Massachusetts has experienced more consecutive years of double digit housing price increases at five. Rhode Island's housing price increases have been accelerating over the past four years, rising 11.3 percent in 2001, 14.2 percent in 2002, 14.5 percent in 2003, and 18.5 percent in 2004. Massachusetts' housing price increases, on the other hand, have been decelerating over the same period, rising 12.9 percent in 2001, 12.0 percent

The Economy

in 2002, and 10.0 percent in 2003 before rising by 11.1 percent in 2004. The robustness of the State's housing market has supported spending by Rhode Island consumers.

The one metric on which the Rhode Island economy has not outperformed its New England counterparts in 2004 is personal income growth. Rhode Island's personal income growth in the fourth quarter of 2003 through the third quarter of 2004 was 4.79 percent, the lowest of the six New England states. Vermont recorded the highest rate of personal income growth in this period at 5.73 percent. Both Maine and New Hampshire experienced personal income growth in excess of 5.0 percent during this period while both Connecticut and Massachusetts attained growth rates of 4.81 percent and 4.80 percent respectively. It should be noted, however, that, among the New England states, only Maine achieved higher rates of personal income growth during the equivalent periods in 2001-2002 and 2002-2003 than Rhode Island's personal income growth of 3.1 percent per annum.

The Forecast

The November 2004 Consensus Economic Forecast				
Rates of Growth	FY 2003	FY 2004	FY 2005	FY 2006
Total Employment	0.7%	1.1%	1.5%	1.5%
Personal Income	3.0%	4.3%	4.3%	4.1%
Wage and Salary Income	4.4%	4.6%	4.1%	4.8%
Farm Income	0.0%	0.0%	0.0%	0.0%
Non-farm Business Income	2.7%	9.5%	7.0%	5.9%
Dividends, Interest and Rent	-3.2%	0.6%	2.3%	1.0%
Total Transfer Payments	3.6%	4.2%	4.6%	4.1%
Nominal Levels				
U.S. CPI-U	2.2%	2.2%	2.3%	1.5%
Unemployment Rate	5.4%	5.3%	5.1%	5.0%
Ten Year Treasury Notes	4.0%	4.3%	4.7%	5.3%
Three Month Treasury Bills	1.3%	1.0%	2.2%	3.2%

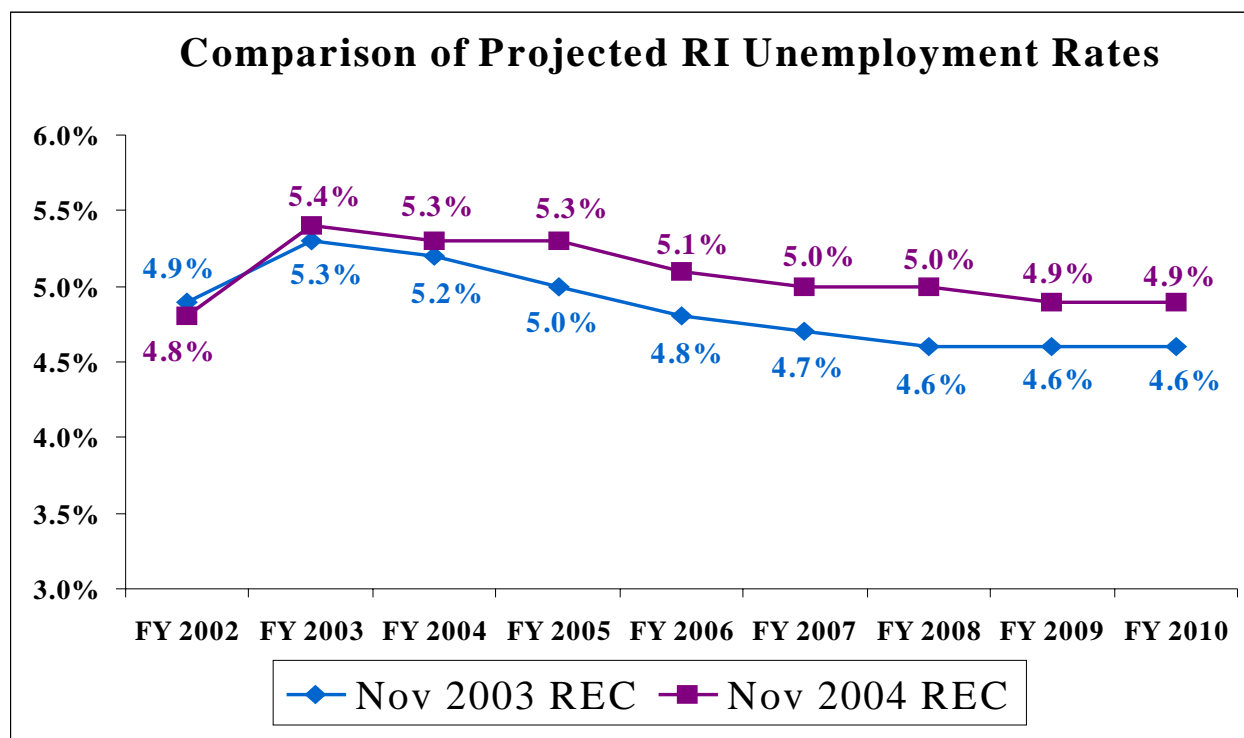
The Consensus Economic Forecast (CEF) for the fiscal years 2003 to 2006 agreed upon by the conferees at the November 2004 Revenue Estimating Conference is shown in the table above. This forecast represents an upward revision in the projection for personal income growth from the November 2003 consensus economic forecast for FY 2005 and FY 2006. In addition, the November 2004 CEF also represents an upward revision in the projection for non-farm employment for FY 2005 and FY 2006. Thus, this forecast indicates that the Rhode Island economy will be able to create new jobs and these new jobs will generally pay better. With respect to the unemployment rate, the November 2004 CEF shows a marked increase in the State's unemployment rate over the November 2003 CEF. This change is due largely to an expanding labor force as a result decreased out-migration of natives and increased immigration from overseas.

The Economy

Employment

According to the Rhode Island Department of Labor and Training (DLT), Rhode Island's seasonally adjusted unemployment rate peaked at 5.8 percent in June 2004, four-tenths of a percent higher than the revised June 2003 rate of 5.4 percent. The June 2004 unemployment rate was at the highest level it had been since January 1996. By December 2004, the State's unemployment rate had declined to 4.6 percent. In spite of the spike in the unemployment rate in June 2004, Rhode Island's unemployment rate in December 2004 was eight-tenths of a percentage point below the national average for the second consecutive month. The November 2004 Revenue Estimating Conference forecasts a stable state average unemployment rate of 5.3 percent in FY 2004 and FY 2005. In FY 2006, it is projected to decline to 5.1 percent.

These projections are an upward revision to the forecasts made by the November 2003 Revenue Estimating Conference, at which the consensus anticipated the State rebounding nicely from the economic malaise it experienced in FY 2002. The graph below illustrates the difference between the November 2003 and November 2004 revenue estimating conferences' outlooks with respect to the state's unemployment rate.

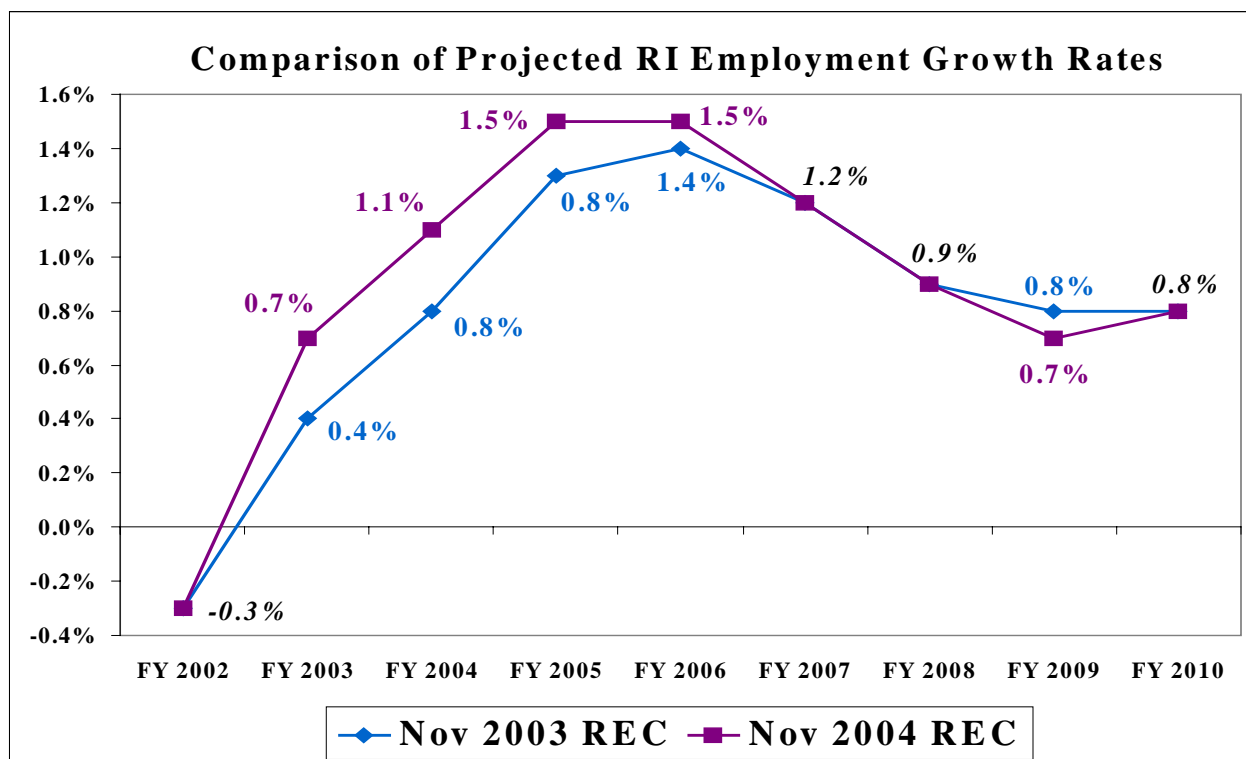


As can be seen in the graph, at this time last year, the REC expected that the recovery would boost Rhode Island's job market, causing a sharp decrease in unemployment in FY 2005. Note that the November 2003 REC projected a rate of unemployment 30 basis points lower than the current forecast. Note further, that the November 2003 REC forecasted an unemployment rate of 5.2 percent for FY 2004 when in reality it was 5.3 percent. The primary difference between the November 2003 and November 2004 CEFs with respect to the State's unemployment rate is the uneven job growth that has gripped the nation and the New England region over the past 12 months.

The Economy

According to DLT, employment at Rhode Island businesses was 496,000 in December 2004, the highest December job count on record and an increase of 4,100 jobs, or 0.8 percent over December 2003. The number of unemployed Rhode Islanders rose slightly to 26,000 in December 2004 from 29,300 in December 2003. The November 2004 REC projects Rhode Island employment on a fiscal year basis to be approximately 493,600 in FY 2005, an increase of nearly 7,300 jobs from FY 2004, and 1,100 more jobs than was forecast for FY 2005 at the November 2003 REC. For FY 2006, the November 2004 REC forecasts further job growth, with Rhode Island employment rising by approximately 7,400 jobs vs. the 6,900 job increase for FY 2006 forecast by the November 2003 Revenue Estimating Conference.

DLT reports that Rhode Island's Manufacturing sector shed 900 jobs in December 2004 vs. December 2003. The State's Government sector showed a decrease of 600 jobs and its Financial Activities sector, including Real Estate, declined by 300 jobs for the same period. These job losses were more than offset by employment gains in Accommodation & Food Services with an increase of 1,500 jobs, Health Care & Social Assistance and Educational Services, with increases of 1,100 jobs each, and the Professional & Business Services sector with job gains of 500 over the same period. The Other Services sector, such as Engineering and Accounting Services, showed an increase of 300 jobs, while Rhode Island's Construction industry experienced growth of 800 jobs and the Retail Trade sector gained 700 jobs in December 2004 relative to December 2003.



The chart above exhibits the forecasted changes in the growth of Rhode Island employment made at the November 2003 and November 2004 Revenue Estimating Conferences. Several differences are readily apparent when comparing the two forecasts. First, in November of 2003 the conferees were much less optimistic about the prospects for the Rhode Island economy in the near term. At that time, they anticipated Rhode Island employment growth of 0.4 percent for FY 2003. In reality, the state's employment increased 0.7 percent in FY 2003 and experienced a rate of employment growth of 1.1

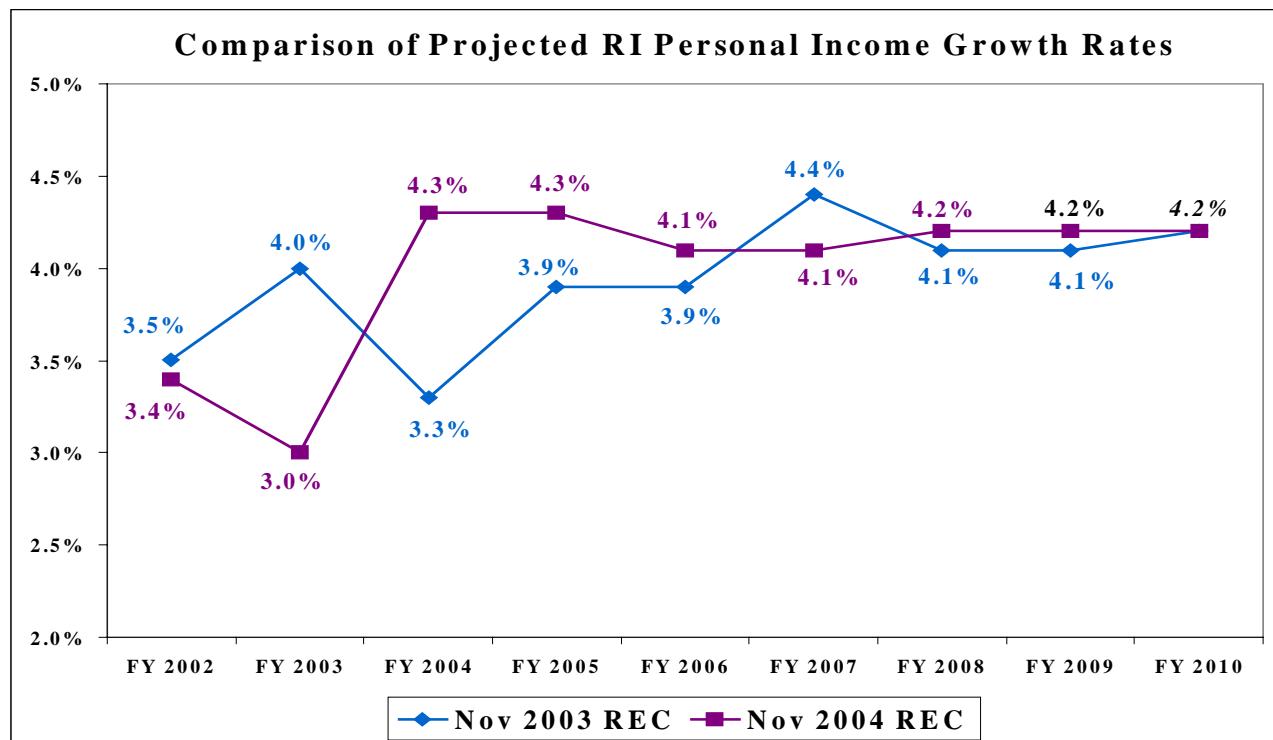
The Economy

percent in FY 2004. Second, the November 2003 REC estimated a modest rebound in employment growth in FY 2005 to 0.8 percent, consistent with a modest recovery in the state's economy. The November 2004 REC forecasted a 1.5 percent rate of employment growth in FY 2005, indicating a robust recovery in the Rhode Island labor market. Finally, the participants at the November 2003 Revenue Estimating Conference projected an accelerating rate of growth in Rhode Island employment in FY 2006, consistent with a strongly rebounding economy. At the November 2004 Revenue Estimating Conference, the conferees predicted a higher rate of Rhode Island employment growth at 1.5 percent in FY 2006, but a stable rate of growth vis-à-vis FY 2005 projecting a stabilizing state economy and labor market.

In sum then, in terms of employment growth, the November 2003 REC forecasted an acceleration of employment growth in Rhode Island in FY 2003 through FY 2006, followed by a mild deceleration in the Rhode Island labor market over the FY 2007—FY 2010 period. The November 2004 REC, on the other hand, has predicted significantly stronger growth in the Rhode Island labor market in FY 2003 through FY 2006, followed by an equivalent decelerating rate of employment growth over the FY 2007—FY 2010 period.

Personal Income

As was the case with the Rhode Island unemployment rate and the Rhode Island employment growth rate, the November 2004 Revenue Estimating Conference made significant changes to the forecast of Rhode Island personal income growth. This revision to the forecast was necessitated by the fact that the Bureau of Economic Analysis made significant revisions to the personal income statistics back to 2001. These revisions included an increase in other labor income's share of total personal income and a downward revision in total personal income attributable to the dividends, interest, and rent component.



The Economy

The graph above illustrates the difference between the two personal income forecasts. Note that this chart differs substantively from the previous charts for a variety of reasons. Although both forecasts are similar for FY 2002, with predicted growth rates of approximately 3.5 percent, they diverge sharply thereafter. The divergence in FY 2003 is a result of the revisions made by the BEA in September 2004. The out year divergence is due to the increased optimism about the State's future economic performance adopted at the November 2004 Revenue Estimating Conference vs. the more dour view that came out of the November 2003 REC.

In November of 2003, the conferees at the Revenue Estimating Conference had revised the growth rate in Rhode Island personal income down below the average annual growth rate that prevailed over the FY 1989—FY 2002 period, of 4.6 percent. The downward revision reflected the participants' expectation that the state's economy, although growing, was doing so at a considerably slower rate than that of the historical trend. Given that the state's economy had gone through an economic slowdown rather than a recession in FY 2002, the forecasters anticipated that a bounce in personal income was not likely but rather slow growth was to be expected. Thus, they made a downward adjustment to the rate of personal income growth in FY 2003—FY 2006 followed by a slight up tick in FY 2007 and finally a return to steady-state growth in FY 2008 and beyond. The near term downward revisions were made to capture the delayed progression of the Massachusetts economy into the growth phase of its recovery from the recession. The November 2004 consensus economic forecast makes positive adjustments to the November 2003 forecast of personal income growth to portray the stronger performance of the Rhode Island economy and to account for the independence of the Rhode Island economy from that of Massachusetts.

In November 2004, the participants at the Revenue Estimating Conference projected that the growth rate in Rhode Island personal income would rise to be more in line with the average annual growth rate of the FY 1989—FY 2002 period. This revision was a 100 basis points decrease below the November 2003 REC forecast for FY 2003 followed by a 100 basis points increase above the November 2003 CEF for FY 2004. The FY 2004 growth rate of 4.3 percent is driven by nearly 10.0 percent growth in non-farm business income. The November 2004 REC growth rate remains steady at 4.3 percent in FY 2005, due to strong growth in non-farm business income and dividends, interest and rent. In FY 2006, the November 2004 REC forecast calls for the growth rate in Rhode Island personal income to drop slightly to 4.1 percent, as the growth in non-farm business income and dividends, interest, and rent slow offset in part by stronger wage and salary growth. The November 2004 REC forecasts that personal income growth in FY 2007 will remain stable at 4.1 percent due to strong wage and salary growth and an acceleration in the growth of dividends, interest, and rent. For the FY 2008—FY 2010 period, Rhode Island personal income growth is anticipated to be 4.2 percent per annum.

Conclusion

The State's economy was the only economy in southern New England that did not experience a decrease in employment on a year-over-year basis through November in CY 2002 through CY 2004. The drag of the Massachusetts and Connecticut economies was reflected in Rhode Island having the lowest growth rate in personal income in all of New England for the period of the fourth quarter of 2003 through the third quarter of 2004 versus the same period in the prior years. Even though growth in personal income was slower than elsewhere in the region, it advanced at a strong 4.79 percent clip. The end result is a Rhode Island economy that is poised for stronger employment and personal income growth in the FY 2005 through FY 2007 period. An outcome that bodes well for the State's residents.

The Jobs Agenda

A Progress Report on Creating 20,000 Net New Jobs

In his 2003 State of the State address, Governor Carcieri set the goal of creating 20,000 net new jobs in Rhode Island over the next four years. Two full calendar years have passed and it is time to assess how the State's economy has performed so far in relation to the Governor's ambitious goal. The table below provides the current status of the Governor's 20,000 net new jobs pledge. In CY 2003, the State's economy added 4,217 net new jobs, or just over 21.0 percent of the total jobs needed for the Governor to reach his goal. In CY 2004, the State's economy gained an additional 4,917 jobs, or nearly 25.0 percent of the total jobs needed for the Governor to reach his goal. Thus, for CY 2003 and CY 2004, the Rhode Island economy has gained 9,133 net new jobs, or 45.6 percent of the total jobs needed for the Governor to reach his job creation target. Excluding the government sector, 9,300 net new private sector jobs have been created.

In the FY 2004 budget, it was determined that an average annual growth rate of 1.03 percent for the CY 2003 to CY 2006 period was needed to achieve the 20,000 net new jobs target. Applying the FY 2004 required average annual growth rate to the CY 2002 total employment level of 479,383, yields projected jobs growth of 4,924 for CY 2003 and 4,974 for CY 2004. On an actual basis then, for CY 2003 and CY 2004, Rhode Island job growth was only 764 jobs less than what was predicted in the FY 2004 budget. As a result, the FY 2006 required average annual employment growth rate must equal 1.11 percent over the CY 2005 – CY 2006 period for the Governor to reach his 20,000 net new jobs goal by the end of his first term. In the FY 2005 budget, the CY 2004 – CY 2006 required average annual employment growth rate was 1.25 percent for the Governor to reach the jobs goal by January of 2007.

<u>Nov 2004 REC</u>	<u>CY 2002</u>	<u>CY 2003</u>	<u>CY 2004</u>	<u>CY 2005</u>	<u>CY 2006</u>
Total Employment	479,383	483,600	489,400	497,700	504,700
Jobs Added	917	4,217	5,800	8,300	7,000
Growth	0.19%	0.88%	1.20%	1.70%	1.40%
<u>Governor's Goal</u>	<u>CY 2002</u>	<u>CY 2003</u>	<u>CY 2004</u>	<u>CY 2005</u>	<u>CY 2006</u>
Total Employment	479,383	483,600	488,517	493,920	499,383
Jobs Added	917	4,217	4,917	5,403	5,463
Growth	0.19%	0.88%	1.02%	1.11%	1.11%

Table values are the twelve- month average of seasonally adjusted total non-farm employment in Rhode Island according to the U.S. Bureau of Labor Statistics (BLS). CY 2002 and CY 2003 data are the actual values. The employment data for CY 2004 is based on eleven months of actual data for Rhode Island, January 2004 through November 2004, and one month of preliminary data, December 2004. The data for the "Nov 2004 REC" section of the table uses the total non-farm employment growth rates for CY 2003 – CY 2010 from the Consensus Economic Forecast adopted at the November 2004 Revenue Estimating Conference. The data for the "Governor's Goal" section of the table uses the preliminary actual data for CY 2004 and the average annual growth rate needed to achieve the 20,000 net new jobs goal for CY 2005 – CY 2006.

It should be noted that the average annual growth rate for Rhode Island non-farm employment adopted in the November 2004 REC Consensus Economic Forecast is 1.6 percent for the CY 2005 – CY 2006

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period. This is two tenths of a percent higher than the 1.4 percent average annual growth rate for the same period that was adopted at the November 2003 REC Consensus Economic Forecast. Finally, as is revealed in the table above, the November 2004 REC Consensus Economic Forecast projects the surpassing of the Governor's 20,000 net new jobs goal by 5,300 jobs in 2006.

FY 2005 Scorecard

In the FY 2005 budget, the Governor's *Jobs Agenda* proposals were conceptually divided into two components. The first component built on the foundation that the Governor laid out in the FY 2004 budget and consisted of continued financing of these FY 2004 initiatives. The second component consisted of brand new initiatives to further advance economic development in the State. In both cases, the Governor's jobs creation proposals fall into three broad areas, workforce quality, economic development policy, and the State's competitive position in the emerging new economy. A breakdown of the Governor's recommended FY 2005 Jobs Agenda initiatives and an accounting of what the appropriated monies were spent on follows.

FY 2005 Scorecard: Workforce Quality

In the area of workforce quality, the Governor recommended three initiatives in the FY 2005 budget, two of which were continuing initiatives and one that was a new initiative. The continuing initiatives that were included for ongoing funding in the FY 2005 budget were adult literacy and needs-based and other college scholarships. The new initiative in FY 2005 was the bonding for a new building for Brown & Sharpe, Inc.

- ◆ **Adult Literacy:** In the FY 2005 budget, the Governor proposed to spend \$3.4 million from Human Resource Investment Council (HRIC) revenues on adult literacy programs in the State. This level of financing represented an increase of \$500,000 over FY 2004 appropriations. The 2004 General Assembly concurred with this recommendation. Of the \$3.4 million of HRIC revenues that were appropriated, \$1.5 million was transferred to the Rhode Island Department of Education (RIDE) for community grants, \$1.7 million was retained by HRIC, and \$190,000 was transferred to the Department of Administration (DOA). The monies transferred to RIDE were used to award \$1.3 million in adult literacy grants to 18 non-government organizations (NGOs), with grants ranging in value between \$20,000 and \$100,000. The funds retained by HRIC were used to award \$1.4 million in financing to eight NGOs for their ongoing adult literacy programs. These 8 NGOs received awards of \$35,000 to \$311,000. The \$190,000 transferred to the DOA was used to offset the costs incurred by the Economic Policy Council for the implementation of the recommendations of the Governor's Adult Literacy Task Force.
- ◆ **Higher Education Assistance Authority:** The Governor recommended total funding for needs-based and other scholarships administered by the Rhode Island Higher Education Assistance Authority of \$13.8 million in FY 2005. This financing level represented an increase of \$300,000 over the FY 2004 appropriation. The 2004 General Assembly agreed to this request. According to the Rhode Island Higher Education Assistance Authority, for needs-based scholarships only, 11,130 students will receive on average an award of \$1,200 in FY 2005.
- ◆ **Bonding for a New Brown & Sharpe Manufacturing Facility:** The Governor proposed the acquisition of land for the development and construction of a manufacturing facility for use by Brown & Sharpe, Inc. at Kiefer Park in North Kingstown in the FY 2005 budget. To finance this project, the Rhode Island Economic Development Corporation (RIEDC), on behalf of the

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Governor, asked for the authority to issue \$15,000,000 of revenue bonds to finance the project. The 2004 General Assembly declined to act on this recommendation.

FY 2005 Scorecard: Economic Development Policy

In the area of economic development policy, the Governor recommended four initiatives in the FY 2005 budget, two of which were continuing initiatives and two that were new initiatives. The continuing initiatives that were included for ongoing funding in the FY 2005 budget were the community economic development grant program administered by the RIEDC and the final phase-in of the double weighted sales apportionment formula for Rhode Island manufacturers. The new initiatives in FY 2005 were the creation of an independent board of directors to manage the operations of the Quonset Point/Davisville Industrial Park and the placement on the ballot of a \$48.0 million bond referendum for infrastructure improvements at the park.

- ◆ **Community Economic Development Grants:** In the FY 2005 budget, the Governor proposed \$500,000 for the matching grant fund for city and town economic development projects. This level of financing was equal to the FY 2004 appropriation. The 2004 General Assembly concurred with this recommendation but reduced the appropriation to \$375,000. The Rhode Island Economic Development Corporation (RIEDC) has used this appropriation to preliminarily awarded 26 grants to 23 communities and two grants for statewide initiatives that benefit local economic development. In addition, in FY 2005, RIEDC will be disbursing \$475,000 of grants awarded from the FY 2004 appropriation of \$500,000.
- ◆ **Manufacturers' Corporate Income Apportionment Formula:** The Governor recommended that the second phase of the change in the net income apportionment formula used for computing corporate income tax liability by Rhode Island manufacturers take place in tax year 2004. This phase allows for manufacturers to apportion 50.0 percent of its net income to its sales factor, 25.0 percent of its net income to its property factor and 25.0 percent of its net income to its wage factor. In tax year 2003, these weights were 40.0 percent, 30.0 percent and 30.0 percent respectively. The 2004 General Assembly agreed to this request. It is still too early at this time to determine the impact that this tax change has had on Rhode Island based manufacturers.
- ◆ **Quonset Point/Davisville Management Act:** The Governor's FY 2005 budget proposed the creation of an independent seven member board of directors with the power to directly manage the affairs and assets of the Quonset Point/Davisville Industrial Park in North Kingstown. Previously, the Quonset Point/Davisville Industrial Park was managed directly by the RIEDC. The 2004 General Assembly enacted legislation that fulfilled the Governor's objective. On January 1, 2005, the Rhode Island economic Development Corporation transferred the management of the Quonset Point/Davisville Industrial Park to the newly created Quonset Development Corporation (QDC).
- ◆ **Quonset Point/Davisville Bonds:** In the FY 2005 budget, the Governor recommended submitting to the voters at the general election of November 2, 2004 a bond referendum for \$48.0 million for infrastructure work at the Quonset Point/Davisville Industrial Park. The bond proceeds are to be used for: building demolition, \$13.8 million; construction of new internal roadways, \$11.2 million; utility service improvements and extensions, \$3.4 million; reconstruction of existing roadways, \$1.7 million; bulkhead replacement at South Pier 1, \$5.6 million; internal rail upgrades, \$6.0 million; site development projects, \$2.5 million; esplanade construction, \$1.7 million; and miscellaneous infrastructure improvements, \$2.0 million. The 2004 General

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Assembly approved the placement of this referendum on the November 2004 ballot. The voters of the State of Rhode Island approved this referendum by a vote of 206,243 for to 159,882 against. The Governor's capital budget includes the issuance of the first \$6.0 million of bonds in February 2005 and a total of \$12.0 million of bonds in FY 2006.

FY 2005 Scorecard: Position in the New Economy

In the area of economic development policy, the Governor recommended five initiatives in the FY 2005 budget, two of which were continuing initiatives and two that were new initiatives. The continuing initiatives that were included for ongoing funding in the FY 2005 budget were the architectural and engineering work for the University of Rhode Island's (URI) Center for Biotechnology and Life Sciences and the seed money for the Samuel Slater Technology Fund. The new initiatives in FY 2005 were the architectural and design money for the Marine BioScience Research and Business Park, the State match for the National Science Foundation's (NSF) *Experimental Program to Stimulate Competitive Research* grant, and the placement on the ballot of a \$50.0 million bond referendum for the construction of the Center for Biotechnology and Life Sciences at URI.

- ◆ **URI Center for Biotechnology and Life Sciences Architectural and Engineering Work:** In the FY 2005 budget the Governor proposed deferring \$200,000 of the \$500,000 appropriated in the FY 2004 budget for the architectural and engineering work needed for the URI Center for Biotechnology and Life Sciences. The 2004 General Assembly concurred with this proposal. The \$200,000 has been expended to complete the conceptual design of the building. This design was used to support the bond referendum put before the voters in November 2004 (see below).
- ◆ **The Samuel Slater Technology Fund:** The Governor recommended total appropriations for the Samuel Slater Technology Fund (Slater Fund) of \$4.0 million in FY 2005. According to the Rhode Island Economic Policy Council, "the Slater Fund has leveraged state investments by an 11.4 to 1 ratio with outside sources of capital. They have (sic) turned the state's \$8.9 million investment into \$110.9 million in capital for the 86 Slater projects over 7 years." The 2004 General Assembly agreed to this recommendation but appropriated only \$3.0 million of the \$4.0 million requested. In FY 2005 and beyond, the Slater Fund will evaluate more companies, finance fewer more select proposals, commit greater resources to chosen companies, and bring these companies to the venture capital financing stage more rapidly.
- ◆ **URI Center for Biotechnology and Life Sciences Construction Bond:** In the FY 2005 Budget, the Governor requested the General Assembly to place on the November 2, 2004 ballot a \$50.0 million bond referendum for the construction of the URI Center for Biotechnology and Life Sciences (CBLS). The CBLS will be a 150,000 square foot facility built on the site of the current Biological Sciences building (this building will be demolished as part of the site preparation work at a cost of approximately \$1.0 million). The ground breaking for the CBLS is scheduled for mid-FY 2006 with construction completed in mid-FY 2008. URI has set a goal of raising an additional \$5.0 to \$10.0 million in private and federal funding for the purchase of equipment and for the attraction of new scientific talent to the Center. The 2004 General Assembly approved the placement of this referendum on the November 2004 ballot. The voters of the State of Rhode Island approved this referendum by a vote of 57.9 percent for to 42.1 percent against. The Governor's capital plan recommends the issuance of \$5.0 million in February 2005 for advanced architectural and engineering services and \$5.0 million in FY 2006 for demolition, site preparation, and early-stage construction.

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- ◆ Marine BioScience Research and Business Park: In the FY 2005 budget, the Governor requested \$200,000 to finance the architectural and design work for a Marine BioScience Research and Business Park to be located on approximately 25 acres at the Quonset Point/Davisville Industrial Park. The Marine BioScience Research and Business Park (MBSrBP) seeks to attract private capital for investment in the State's marine science and aquaculture industries. The 2004 General Assembly concurred with this request. To date, the Rhode Island Economic Development Corporation (RIEDC) has spent \$100,000 for conceptual design and engineering plans for the MBSrBP. Another \$55,000 is committed to a global marketing campaign to recruit commercial partners to the park. The final \$50,000 has been set aside to finance unanticipated costs.
- ◆ Experimental Program to Stimulate Competitive Research: The Governor proposed the appropriation of \$1.5 million for the State's participation in NSF's *Experimental Program to Stimulate Competitive Research* (EPSCoR). The intent of EPSCoR is to establish a partnership between state government, higher education, and industry to achieve lasting improvements in research infrastructure and national research and development competitiveness. The 2004 General Assembly accepted this proposal. Since the acceptance of the proposal, the federal program has been modified so that no state matching grant is required in order to receive EPSCoR funding. As a result, the Governor has recommended the withdrawal of the \$1.5 million appropriation. It should be noted that a consortium of Rhode Island higher education institutions applied for but did not receive a grant for FY 2005. They are expected to reapply for EPSCoR financing in the future.
- ◆ Creative Companies Act: The FY 2005 budget contained, and the Governor supported, a request by the RIEDC to enable it to grant exemption from Rhode Island personal income tax any income, capital gain, or preference items for investors in, managers of, and owners of certified creative companies. A creative company was defined as a company that will achieve annual gross revenues of no less than \$25.0 million, and employ or create at least 200 jobs in Rhode Island or have an annual payroll to Rhode Island employees of no less than \$10.0 million. The 2004 General Assembly declined to approve this proposal.

The FY 2006 Jobs Agenda

The Governor's FY 2006 Jobs Agenda continues to build on the foundation that was established in the FY 2004 budget. There are four proposals that received funding in either FY 2004 or FY 2005 or both fiscal years and are recommended for continued funding in FY 2006. These proposals broadly fall into the categories of workforce quality, economic development policy, and positioning the State to participate fully in the new economy. The Governor also proposes two new jobs initiatives in FY 2006.

FY 2006 Building on the Foundation: Workforce Quality

In the FY 2006 Budget, the Governor recommends the continued support of the following initiatives to further develop the quality of the State's workforce:

- ◆ Adult Literacy: The Governor proposes financing of \$7.5 million from all funds for adult literacy programs. In FY 2004, the total of these funds was \$7.0 million, while in FY 2005 they were \$6.9 million. The FY 2006 recommended financing level is an increase of 9.5 percent over FY 2005. Of the total FY 2006 funding, \$2.9 million is from general revenues,

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\$1.7 million is from HRIC revenues, and \$2.9 million is from federal financing of Adult Based Education initiatives in RIDE and Project Opportunity in the Department of Human Services (DHS).

The governor also proposes that RIDE administer the State's adult literacy programs. FY 2006 marks the first year in which the State's major adult literacy programs will be consolidated within RIDE. In FY 2004 and FY 2005, the State's adult literacy programs were administered independently by RIDE and the Department of Labor and Training. The proposed consolidation is being undertaken to eliminate redundancy in the administration of the State's adult literacy programs and to enhance the accountability for the operation thereof.

- ◆ **Higher Education Assistance Authority:** The Governor recommends total funding for needs-based and other college scholarships of \$14.9 million in his FY 2006 budget. Of this total, \$8.9 million is from general revenues, \$432,189 is from federal funds, and \$5.5 million is from other funds, namely the Rhode Island 529 Tuition Savings Plan better known as the Rhode Island CollegeBound*fund*. This recommendation consists of no change in general revenue financing from the enacted FY 2005 budget. It does constitute, however, an increase in financing for scholarships from other funds by \$1.0 million over the FY 2005 enacted level. The recommendation fully funds federal maintenance of effort to qualify for incentive and supplemental scholarships for students. Thus, the end result is an increase of \$1.1 million, or 7.6 percent, in scholarship monies for FY 2006 over the enacted FY 2005 budget.

In addition, the Governor has committed to enhancing needs based and other scholarships by the incremental new revenue the State receives from the operation of the 740 video lottery terminals (VLTs) that have been authorized for installation at Lincoln Park and Newport Grand. At this time, these machines are authorized but uninstalled. Lincoln Park is currently renovating the second floor of its facility to accommodate the 459 VLTs that have been authorized. The renovation is to be completed in May 2005 with installation of the 459 VLTs by the beginning of FY 2006. Newport Grand has no plans at this time to install the 281 VLTs that are authorized for its facility. The Budget Office estimates that \$20.0 million of additional revenues will be garnered by the State from the VLTs that will be installed at Lincoln Park.

FY 2006 Building on the Foundation: Economic Development Policy

In the FY 2006 Budget, the Governor recommends the continued support of the following initiatives to bring further coherence to the state's economic development policy:

- ◆ **Community Economic Development Grants:** The Governor proposes the continued funding at \$375,000 of the state matching grant fund for city and town economic development projects that is administered by the RIEDC. The Governor's recommendation level funds this program when compared to the FY 2005 enacted budget. In FY 2005, 26 local economic development projects and two statewide projects were financed from this program with matching grant awards ranging from \$3,000 to \$20,000.

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FY 2006 Building on the Foundation: RI's Position in the New Economy

In the FY 2006 Budget, the Governor recommends the continued support of the following initiatives to further enhance the State's competitive position in the new economy:

- ◆ **The Samuel Slater Technology Fund:** The Governor recommends continued financing of \$3.0 million for The Samuel Slater Technology Fund (Slater Fund). This financing level is the same as that contained in the enacted FY 2005 budget. Currently the Slater Fund is comprised of four independent entities, the Slater Center for Biomedical Technology, the Slater Center for Interactive Technologies, the Slater Center for Design and Manufacturing, and the Slater Center for Marine and Environmental Technologies. The RIEDC is currently considering the combining of these four distinct centers into a single fund model. According to the RIEDC "a single entity model will serve to reduce administrative cost, increase the amount of money available to invest in innovative Rhode Island entrepreneurial ventures, improve public accountability, and adhere to new performance metrics for the Slater program recently adopted by the Rhode Island Economic Policy Council."
- ◆ **Marine BioScience Research and Business Park:** In the FY 2006 budget, the Governor proposes additional financing of \$200,000 for the proposed Marine BioScience Research and Business Park (MBSrBP) at the Quonset Point/Davisville Industrial Park. The RIEDC has targeted this financing for additional design and engineering work at the site, particularly after a consortium of commercial partners have been recruited to locate their operations in the MBSrBP.

FY 2006 New Jobs Agenda Initiatives

In addition to the above carry-over initiatives from FY 2005 and FY 2004, the Governor proposes two new initiatives in FY 2006 that seek to further enhance job development in the State. These two initiatives broadly fall into the categories of economic development policy and the State's competitive position in the new economy.

FY 2006 New Jobs Agenda Initiatives: Economic Development Policy

The Governor recommends the following new initiative in the area of economic development policy.

- ◆ **Development of Tax Policy Analysis Capability:** The Governor's proposed FY 2006 budget includes \$100,000 of initial seed money for the purpose of assessing the State's needs for a tax policy analysis capability. According to the RIEDC, "[O]ver the past 8 (sic) years over 50 legislative changes that relate to tax issues were enacted to accomplish the goal of strengthening the state's economy. We know woefully little of the impact of this legislation and we have no way to assess alternatives that might be equally effective, and less complicated." The Governor's recommendation is to use this financing to determine what information technology and staffing requirements will be needed to establish a tax policy functionality in the Department of Administration's Division of Taxation. As the RIEDC notes, "an objective, unbiased tax policy capability will facilitate the opportunity to create a tax system that is based on relative competitive standing in relation to neighboring states, treats all Rhode Islanders fairly and moves Rhode Island from the bottom of the rankings of state tax climates."

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FY 2006 New Jobs Agenda Initiatives: RI's Position in the New Economy

The Governor recommends the following new initiative to help position Rhode Island to be competitive in the new economy.

- ◆ The Governor's Science and Technology Advisory Council: The Governor recommends the appropriation of \$100,000 for the establishment of *The Governor's Science and Technology Advisory Council* (GSTAC). The GSTAC main functions will include:
 1. Advising the Governor on actions the State can take to improve Rhode Island's capacity for innovation;
 2. Gaining support for innovation policy and programs;
 3. Strengthening the State's capacity to commercialize college and university research and its basic research platform;
 4. Providing leadership to accentuate the benefits of Rhode Island's small size for collaborators to launch their innovative ideas;
 5. Securing federal and foundation funding for innovation programs; and
 6. Creating an actionable innovation network across the State.

The requested \$100,000 of seed money will be used to:

1. Leverage a \$200,000 National Science Foundation (NSF) planning grant;
 2. To reapply for a NSF EPSCoR grant of \$3.0 million per year in July 2005;
 3. Assess Rhode Island's innovation capacity
 4. Develop strategies and programs to increase the State's capacity for innovation,
 5. Make recommendations to the Governor; and
 6. Create an innovation network in Rhode Island.
- ◆ The Jobs Partnership Act: The Governor proposes the passage of *The Jobs Partnership Act*. This act would authorize the Rhode Island Economic Development Corporation (RIEDC) to issue \$54.0 million of moral obligation bonds to finance four economic development funds with specific targeted goals. These funds are:
 1. *The Small & Minority Business Growth Fund, \$10.0 million*: This fund would allow RIEDC, in partnership with private lenders, to provide small and minority owned businesses "access to capital faster, cheaper and with more clarity of outcome."
 2. *The Growth Center Jump Start Program, \$25.0 million*: This fund would be structured as a revolving loan fund that emphasizes the creation of "pad ready sites" in designated growth centers for businesses looking to expand in or relocate to Rhode Island. It would reduce the time to occupancy for these firms by 18 months on average.
 3. *The Northern Rhode Island Biotechnology Facility, \$4.0 million*: This project would support the development of 100,000 square feet of biopharmaceutical capable flex space for one to four firms at the clinical trials manufacturing stage of product development. These firms would employ approximately 250 to 400 people.
 4. *The Slater Fund, \$15.0 million*: This fund would create a stable public financing commitment that would allow RIEDC to leverage private venture capital to materially expand the job creation capacity of the Slater Centers.

General Revenues

Introduction

FY 2005 Revised Revenues

General Revenue Changes to Adopted Estimates

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General Revenues

In addition to the above general revenue components, decreases are forecasted in FY 2005 for the Unclaimed Property Transfer to the general fund and the Other Miscellaneous general revenue category. In the case of the Unclaimed Property Transfer, a decrease of \$277,053 is forecasted and is largely attributable to the increase in the indirect cost recovery rate applied to this revenue source. In the case of Other Miscellaneous general revenues, a \$52.4 million decrease is projected. This large decrease is due primarily to the influx of \$50.0 million in federal fiscal relief that was appropriated to the State's general fund in FY 2004. This federal fiscal relief was a one-time allocation that is not repeated in FY 2005.

Finally, for FY 2005, increases are estimated for the Lottery Transfer to the general fund and the Gas Tax Transfer to the general fund. In the case of the Lottery Transfer, an increase of \$36.9 million is projected for FY 2005. This increase is attributable primarily to expected growth in video lottery net terminal income from higher utilization of existing and new machines (3,292 VLTs were in place in FY 2004 vs. 3,562 in place for FY 2005). The Gas Tax Transfer to the general fund is expected to increase by \$1.2 million in FY 2005. This increase is due primarily to the increase in the general fund's gas tax allocation from 1.4 cents per gallon to 2.0 cents per gallon effective March 1, 2004.

As noted above, personal income tax collections are forecasted to increase by \$59.0 million in FY 2005 over FY 2004, an increase of 6.6 percent. The revenue gains in personal income tax collections are reduced due to the utilization of the State's Historic Preservation Tax Credit (HPTC) program. The personal income tax rate was last reduced on January 1, 2002. The HPTC program is estimated to cost the State \$12.0 million in personal income tax revenues in FY 2005. The increased Investment Tax Credit and Research and Development Tax Credits also continue to impact tax collections in FY 2005, as individuals and businesses continue to reap the benefits of an improved tax structure in Rhode Island. Personal income taxes are expected to comprise 31.9 percent of all general revenues collected in FY 2005 and total \$949.9 million.

The Sales Tax is expected to show gains in FY 2005 collections of \$37.4 million over FY 2004 collections. Sales taxes represent 29.0 percent of total general revenues in FY 2005. The continued strength in sales and use tax collections in Rhode Island is due in large part to the State's strong housing market, historically low long-term interest rates, and another wave of mortgage refinancing by homeowners. According to a 2002 survey conducted by Fannie Mae, cash raised via either home equity borrowing or cash-out refinancing has been used by households for home improvements (42%), to pay down existing debt (30%), to purchase cars or other items (15%), and to purchase appliances or furniture (13%). From the State's perspective, the distribution of this consumption activity is significant, as most of the spending has been concentrated on items that are subject to the 7.0 percent state sales tax. Anticipated collections in FY 2005 are \$864.0 million reflecting a growth rate of 4.5 percent over FY 2004 collections.

Within the sales and use tax category, motor vehicle tax collections are expected to reach \$47.1 million in FY 2005, a *decrease* of 0.8 percent over FY 2004 collections. The Motor Fuel tax estimate of \$850,000 is 3.1 percent less than FY 2004 collections. The revised FY 2005 Cigarette Tax estimate of \$137.5 million is a downward revision of \$6.3 million from the FY 2005 enacted budget. Both the revised estimate and the enacted estimate reflect the 2004 Assembly's passage of an increase in the cigarette tax from \$1.71 per pack to \$2.46 per pack effective July 1, 2004. The FY 2005 estimate for cigarette tax collections is an increase of \$20.1 million over FY 2004 collections, or a 17.1 percent increase. Cigarette taxes are estimated to comprise 4.6 percent of total general revenues in FY 2005.

General Revenues

Positive growth is expected in most categories of general business taxes. FY 2005 Business Corporations taxes are expected to rise \$10.0 million above FY 2004 collections while Insurance Companies taxes are anticipated to be \$1.7 million lower than in FY 2004. The Business Corporations Tax and the Insurance Companies Tax are expected to generate revenues of \$86.0 million, and \$41.7 million, respectively. Each of these revenue sources have been impacted by the Historic Preservation Tax Credit program to the tune of an estimated \$1.0 million in lower Business Corporations tax collections and an estimated \$6.0 million in lower Insurance Companies taxes. The Public Utilities Gross Earnings Tax is expected to garner \$91.4 million, an increase of \$2.7 million over FY 2004 collections. The Health Care Provider Assessment is estimated to yield \$43.4 million, an increase of \$3.1 million over the \$40.3 million collected in FY 2004. The increase in Health Care Provider Assessments is due to the fact that the increase in the nursing home tax passed by the 2003 General Assembly is effective for all of FY 2005. In FY 2004, it was in effect only from November 1st going forward. The Financial Institutions Tax is projected to increase by \$6.2 million in FY 2005 to –\$1.1 million. This increase is attributable to that fact that a taxpayer overpaid its Financial Institution taxes on a cumulative basis by \$21.5 million over the last several fiscal years. In FY 2004, this taxpayer received a \$10.7 million refund from the State. It is currently anticipated that the remaining \$10.8 million will be used to offset future tax liabilities rather than be taken as a cash refund.

Inheritance and Gift Taxes are expected to yield \$3.1 million more in FY 2005 than in FY 2004, with estimated collections of \$27.0 million. This increase is due to the nature of the tax itself, which can be affected markedly by the passing of a single wealthy taxpayer. Racing and Athletic Taxes are expected to continue their downward trend in FY 2005 totaling \$4.6 million, a decrease of 6.9 percent from FY 2004 levels. Realty Transfer Taxes are expected to total \$13.4 million in FY 2005, an increase of \$363,291 from FY 2004 collections. This increase in collections is due to the strong housing market in the state.

In FY 2005, Departmental Receipts are estimated at \$296.7 million, an increase of \$5.8 million from FY 2004 collections, or 2.0 percent. Other Miscellaneous Revenues are expected to total \$16.8 million in FY 2005, a decrease of \$52.4 million from FY 2004 collections. The key difference from FY 2004 collections in this general revenue category is the absence of the \$50.0 million in federal fiscal relief the State received in FY 2004. This money was a one-time only grant from the federal government. Finally, the Lottery Transfer is expected to be \$318.0 million in FY 2005 incorporating the increased installation of video lottery terminals particularly at the Lincoln Park facility. This is an increase of 13.1 percent over the FY 2004 transfer and is 10.7 percent of total general revenues in FY 2005.

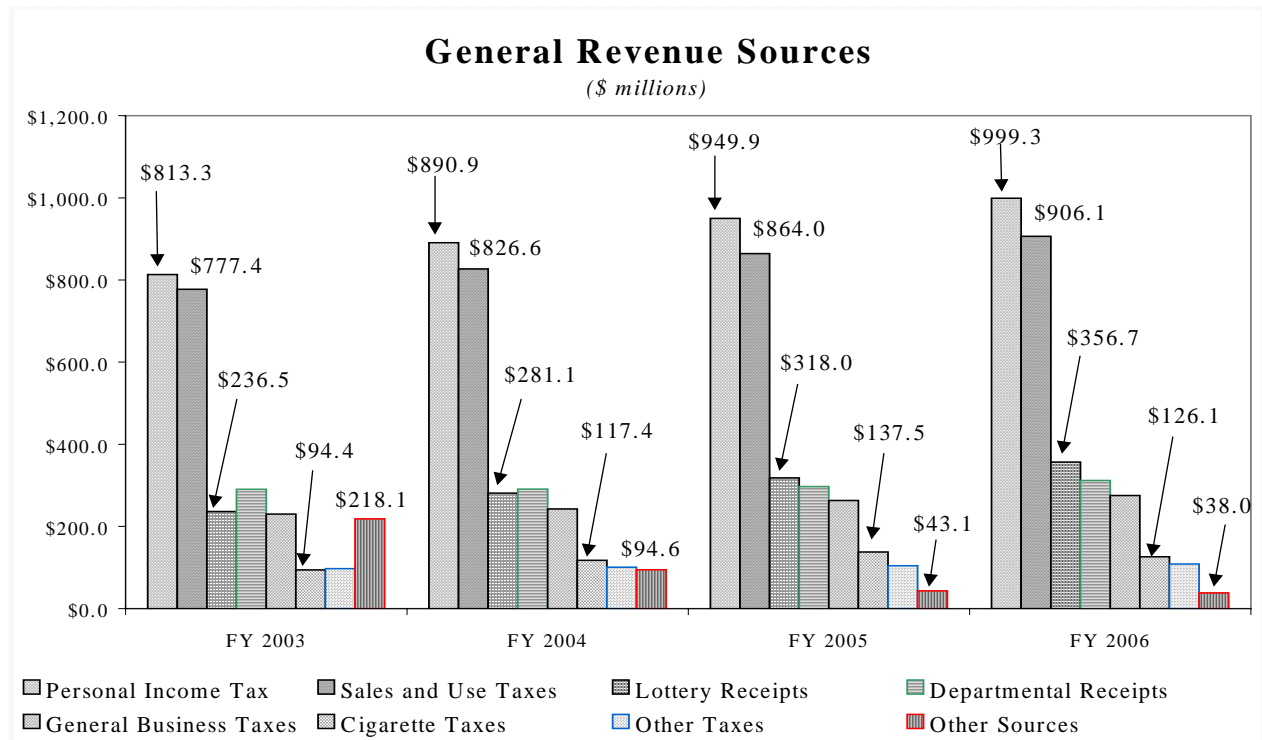
The chart below shows the sources of general revenues for the period FY 2003 – FY 2006. The values of the two major sources of general revenues, personal income taxes and sales and use taxes, are highlighted. In addition, the values of those categories for which the Governor's FY 2005 – FY 2006 budget recommends substantial changes are also displayed.

FY 2006 Proposed Revenues

The Governor's recommended FY 2006 general revenue estimate of \$3.122 billion is 4.9 percent greater than FY 2005 revised levels. The Governor's recommendation is comprised of \$3.033 billion of revenue estimated at the November 2004 Revenue Estimating Conference and \$89.3 million of changes to the adopted estimates. These changes are shown in the schedule *General Revenue Changes to Adopted Estimates* located in Appendix A of this document.

General Revenues

The largest source of FY 2006 general revenues is the Personal Income Tax, with estimated receipts of \$999.3 million, \$61,455 more than the November 2004 REC estimate for FY 2006. This marginal increase is due to the Governor's proposed repeal of the tax credit for ISO certification that was reintroduced by the General Assembly effective in FY 2006 after it was repealed by the same General Assembly for FY 2005. It should be noted that the FY 2006 Personal Income Tax estimate adopted at the November 2004 REC incorporated \$12.0 million in revenue lost to the Historic Preservation Tax Credit program. Personal Income Taxes are expected to comprise 32.0 percent of total general revenues in FY 2006.



Sales Tax collections are expected to total \$906.1 million in FY 2006, a \$1.9 million, or 0.2 percent, increase from the FY 2006 estimate agreed upon at the November 2004 Revenue Estimating Conference. The Governor's FY 2006 recommended estimate represents growth of 4.9 percent over the FY 2005 revised estimate. The FY 2006 sales tax figure includes \$1.9 million of additional sales tax revenue due to the Governor's reintroduction of his FY 2005 Fiscal Fitness initiative to require that cigarette distributors pre-pay the state sales tax when purchasing cigarette tax stamps. Sales and Use Taxes are anticipated to contribute 29.0 percent to total general revenues in FY 2006. Motor Vehicle Fees are projected to equal \$49.5 million in FY 2006, an increase of \$1.5 million from the level adopted at the November 2004 REC. The increase in Motor Vehicle Fees is attributable to the Governor's proposal to increase select driver's license, registration, and other fees to be more cost effective. Motor Vehicle Fees are estimated to be 5.6 percent greater than the revised FY 2005 estimate. The other components of excise taxes, Motor Carrier Fuel Use Taxes, Cigarette Taxes, and Alcohol Taxes, remain at the levels adopted by the conferees of the November 2004 Revenue Estimating Conference. With the exception of Cigarette Taxes, each of these components is expected to grow modestly from their FY 2005 revised levels. Cigarette Tax revenues, however, are projected to decline by \$11.4 million in FY 2006 from the revised FY 2005 estimate. This decrease of 8.3 percent reflects the sizeable consumption drop that has resulted from the most recent increase in the State's cigarette tax.

General Revenues

General business taxes represent 8.8 percent of total general revenue collections in the FY 2006 budget year. Business Corporation Tax revenues are expected to yield \$91.5 million, an increase of 0.5 percent, or \$438,545, from the FY 2006 estimate agreed to at the November 2004 REC. This increase is a result of the Governor's proposal to once again repeal the ISO certification tax credit that the General Assembly repealed for FY 2005 but reintroduced for FY 2006. Business Corporations Tax collections are projected to be 6.4 percent higher than the revised FY 2005 estimate. The FY 2006 Business Corporations Tax estimate includes \$1.0 million in revenues lost to the use of Historic Preservation Tax Credits by corporate income tax filers.

Insurance Premiums Taxes are estimated to be \$45.8 million in FY 2006, an increase of \$3.8 million, or 7.2 percent, from the level adopted at the November 2004 REC. The \$3.8 million increase is the result of the Governor's proposal to repeal the current exemption from Insurance Premiums Taxes that is possessed by the Beacon Mutual Insurance Company. Beacon is the only insurer that writes worker's compensation insurance policies and does not have to pay the Insurance Premiums Tax. Insurance Premiums Taxes are forecasted to be 9.8 percent higher than in the revised FY 2005 budget. They will comprise 1.5 percent of total general revenues in FY 2006. The FY 2006 Insurance Premiums Taxes estimate incorporates the application of \$6.0 million in Historic Preservation Tax Credits against this revenue source as adopted by the November 2004 REC.

Public Utilities Gross Earnings Taxes, Health Care Provider Assessments, Bank Deposits Taxes and Financial Institutions Taxes are estimated at the levels adopted at the November 2004 Revenue Estimating Conference. These taxes are expected to comprise 4.4 percent of total general revenues in the recommended FY 2006 budget.

Inheritance and Gift Taxes and Realty Transfer Taxes are estimated at the same levels adopted at the November 2004 REC. That is, they are expected to grow modestly, if at all, from their revised FY 2005 levels, with anticipated collections of \$27.5 million and \$14.1 million, respectively. Racing and Athletics Taxes are also estimated at the level adopted at the November 2004 REC. This estimate represents a decline of \$130,000, or -2.8 percent, from the revised FY 2005 estimate. Total Racing and Athletics Taxes projected in FY 2006 is \$4.47 million. The total of Other Taxes makes up 1.5 percent of total general revenues in FY 2006.

FY 2006 departmental receipts are expected to generate \$15.4 million more than the revised FY 2005 budget. The Governor recommends that the Hospital Licensing Fee be continued for one year at a 3.45 percent rate of assessment, yielding \$64.4 million in FY 2006. This is an increase of \$5.8 million from FY 2005 estimate. The FY 2006 recommended departmental receipts figure includes the Governor's Fiscal Fitness proposal to implement a 340B pharmacy program in the State. The 340B pharmacy program allows for the negotiation of 340B-like pharmaceutical rebates from drug manufacturers that supply prescription drugs to the State's RIPAE program. It is estimated that these negotiated rebates will total \$1.3 million in FY 2006. The FY 2006 recommended budget discontinues the \$10.0 million enhancement to uncompensated care reimbursements to Slater Hospital contained in the revised FY 2005 budget. This enhancement was available only for two fiscal years. The successful implementation of the federal Medicare drug card program will reduce pharmaceutical rebates in the RIPAE program by \$675,000. Finally, \$7.67 million in departmental receipts is generated from increased collection activities by the State Courts to lower the amount of fines, penalties and court costs outstanding that are currently on their books. As of June 30, 2004, the Courts preliminary data shows an outstanding receivable (i.e., monies owed but not paid) of \$67.5 million for the FY 1976 – FY 2004 period. Including the proposed

General Revenues

changes, departmental revenues are expected to be \$312.2 million in FY 2006, or 10.0 percent of total general revenues.

The Other Sources component total of \$394.7 million in FY 2006 represents an increase of 9.3 percent, or \$33.6 million, compared to the revised revenue estimate for FY 2005. The change in other sources of revenue is distributed among the three major components of this category. Within the Gas Tax Transfer component, the Governor's FY 2006 budget shows an increase of \$2.2 million, or 22.7 percent, from the revised FY 2005 level. This increase in the Gas Tax Transfer is a result of the Governor's proposal to impose a \$0.05 per gallon tax on aviation gasoline and aviation jet fuel sold in the State yielding \$2.2 million. Currently, all aviation fuel is exempt from the State's motor fuel tax. The Gas Tax Transfer is expected to yield \$11.7 million, comprising 0.4 percent of total general revenues in FY 2006.

Within the Other Miscellaneous Revenues category, the Governor's FY 2006 budget is \$1.8 million less than the revised FY 2005 level, a drop of 10.9 percent. This decline is due to the fact that the State received a transfer of \$5.0 million from the Rhode Island Student Loan Authority in FY 2005, but will not do so in FY 2006. The Governor's FY 2006 budget also recommends transferring \$4.5 million in retained earnings from the Rhode Island Resource Recovery Corporation and \$2.0 million of retained earnings from the Underground Storage Tank Financial Responsibility Review Board. Other Miscellaneous Revenues are anticipated to be \$15.0 million in FY 2006, amounting to 0.5 percent of all general revenues.

Within the Lottery category, the FY 2006 budget is \$38.7 million greater than the revised FY 2005 budget, an increase of 12.2 percent. The primary source for this increase has to do with the operation of video lottery terminals at the state's two licensed gaming facilities. FY 2006 is the first full year in which the 271 video lottery terminals that were installed at Lincoln Park in early FY 2005 are in operation. In addition, in June 2004, GTECH, as required by its contract with the Rhode Island Lottery, replaced the other half of its video lottery terminals with better performing machines. The combination of these events and the expected growth in the handle of all other VLTs results in an increase of \$38.7 million. In FY 2006, the lottery transfer is expected to be \$356.7 million and comprise 11.4 percent of total general revenues.

The final category of general revenue receipts is the Unclaimed Property transfer. In FY 2006, this transfer is expected to decline by \$5.5 million, or 32.6 percent, from the revised FY 2005 estimate. The source of this decline is primarily due to an unexpected increase in unclaimed property payments made by Bank of America in FY 2005 as a result of its acquisition of Fleet Bank. This influx of revenue is not expected again in FY 2006. The Unclaimed Property transfer is projected to be \$11.3 million in FY 2006, and comprise 0.4 percent of all general revenues.

Non-General Revenue Receipts

The FY 2006 budget recommends appropriation of funds totaling \$6.255 billion. The largest source of funds is general revenue, reflecting \$3.070 billion or 49.1 percent of this total. Federal funds of \$1.967 billion are the next largest component, comprising 31.4 percent of all funds. Other Sources of \$1.115 billion are the third largest total, and account for 17.8 percent of the total. Restricted receipts, or dedicated fee funds, equal \$104.1 million, or 1.7 percent of all appropriated funds. General Revenue expenditures are discussed in greater detail on the following pages.

Federal Funds are increasing by \$34.5 million between the revised FY 2005 and the recommended FY 2006 budgets. The recommended FY 2006 federal funds total is \$1.967 billion, or 1.8 percent more than the revised FY 2005 total of \$1.932 billion. The major changes are described below:

- A decrease of \$11.6 million for the Department of Administration is attributable to two main factors. First, the transfer of the Child Support Enforcement program to the Department of Human Services includes the transfer of not only \$3.3 million in general revenue funding, but also \$6.6 million in federal matching funds. Second, funding for the Community Development Block Grant program decreases by \$3.4 million from the FY 2005 revised funding level, which included carry over funds from prior grant periods.
- A decrease of \$3.6 million of federal funds for the Department of Labor and Training is attributable to the Department of Labor and Training Investment Act and the School-to-Work grants that are ending in FY 2005 or early FY 2006.
- A decrease of \$689,485 for the General Treasurer is primarily attributable to the federal matching grant for the Crime Victim Compensation Program (CVCP), which is dependent upon prior state fiscal year expenditures from all state revenue sources. The decrease is composed of a \$1,042,732 reduction in the federal grant portion of The Station fire victims compensation program, offset by an increase in the federal grant portion of the State's basic crime victim compensation program by \$341,461. These changes are consistent with the alterations to the financing of The Station fire victims compensation program in FY 2005.
- A decrease of \$1.2 million in federal revenues for the Department of Health is attributable to anticipated reduced funding for bio-terrorism preparedness, response, training and education.
- An increase of \$52.1 million in federal revenues for the Department of Human Services. The largest component is attributable to Medical Benefits with a \$38.8 million increase resulting from a 7.5 percent growth in gross costs for Medical Benefits, including caseloads, inflation and utilization. The other primary increases include \$1.5 million for the recognition of a new substance abuse grant within Central Management, \$6.6 million for the relocation of the Child Support Enforcement Program from the Department of Administration, and an expected increase of federal food stamp vouchers recorded in state accounts in FY 2006 of \$2.7 million. Additional adjustments occur in the Veteran's Affairs Program with a reduction of \$1.0 million for one-time capital project reimbursements for the Veterans' Home expended in FY 2005, offset by an increase of \$1.6 million for the Veterans' Cemetery to occur primarily in FY 2006. A reduction for savings in FIP/TANF cash assistance costs pursuant to the adopted Consensus Caseload Conference estimate results in block grant balances being reallocated to the Child Care and Development grant to finance adopted child care costs.

Non-General Revenue Receipts

- An increase of \$5.1 million in federal revenues for the Department of Mental Health, Retardation and Hospitals. An increase in federal funds of \$3.9 million for the Division of Developmental Disabilities represents the main adjustment. This item relates to Medicaid expenditures for the privately operated and publicly operated Developmental Disability systems and the increase reflects caseload and service growth for Medicaid eligible clients in these service systems. The increase in the privately operated system represents grant based payments to private providers, while the publicly operated system expenditures reflect payroll and operating expenses in the Rhode Island Community Living and Supports (RICLAS) system. The next largest adjustment is a \$901,046 increase, which relates to Medicaid eligible costs within the Eleanor Slater Hospital. The increase primarily occurs in the personnel category and is attributable to increased retirement, medical benefit costs and non-union cost of living adjustments.
- An increase of \$9.7 million for the Department of Elementary and Secondary Education. This increase is primarily attributable to \$3.2 million for federal investment in administrative and local support for education of disadvantaged youth; \$4.2 million for education of students with disabilities, and a relatively new grant of \$700,000 for education of children in high-need schools through the use of scientifically based practice and extended learning time. Additional funds result from carry-forward balances from FY 2004 grants for the “No Child Left Behind” federal agenda.
- An increase of \$2.0 million for the Higher Education Assistance Authority is primarily attributable to increases in collection services.
- A decrease of \$1.0 million for the Attorney General is mainly attributable to the National Criminal Histories Improvement Project/NCHIP 2001. Funding for the Automated Fingerprint Identification System (AFIS) upgrade includes a \$255,490 federal grant in FY 2005. This funding is not repeated in FY 2006.
- A decrease of \$1.6 million for the Department of Corrections is mainly attributable to a \$614,254 reduction in the State Criminal Alien Assistance Program (SCAAP). The next main component of the decrease includes a \$340,679 reduction in Federal Crime Bill Funds under the Violent Offender/Truth in Sentencing Act (VOI/TIS), primarily related to revised construction schedules for approved projects, including the Reintegration Center. Additional reductions are a result of grant expirations from the Rhode Island Justice Commission for the Byrne Formula Grants J-Link System and the National Criminal Histories Improvement Program.
- A reduction of \$1.9 million for the Judiciary is primarily attributable to the end of several one-time discretionary grants from the U.S. Department of Justice, which includes \$377,000 for Crime Victims Assistance, \$299,821 for Byrne Grants, \$208,457 for a Drug Court Implementation Grant, and \$463,637 for Drug Court Operations. Family Treatment funding from the Department of Health and Human Services decreases by \$462,024 and reflects the balance of available funding in FY 2006. Reductions are offset by an additional grant award of \$126,263 to finance the Truancy Court program, and funding of \$189,078 for increased expenditures for Judicial Child Support Enforcement activities as a result of statewide increases for retirement, medical, and retiree health benefits.

Non-General Revenue Receipts

- A decrease of \$10.3 million for Military Staff is primarily due to a revised expenditure schedule for the FY 2004 federal grant award of \$21.5 million for state homeland security, law enforcement terrorism prevention and Citizens Corps programs, as well as a \$2.9 million decrease in the FY 2003 grant's estimated expenditure. Other components of the reduction include \$856,000 for the end of the one-time FY 2005 information technology grant and \$830,150 for a revised estimate from grant resources on first responder equipment and the Urban Search Program.
- Additional decreases occur in the Public Safety arena with decreases of \$333,612, \$361,077, and \$213,512 for the Rhode Island Justice Commission, State Police, and Office of the Public Defender, respectively. The reduction in the Rhode Island Justice Commission primarily reflects Juvenile Accountability and Incentive Block grants that are expected to be unavailable in FY 2006. A one-time grant of homeland security resources for port security by the State Police fully expended in FY 2005 contributes primarily to this reduction. Finally, the reduction in Public Defender is composed of two main factors. First, the end of a Rhode Island Justice Commission grant which funds the Juvenile Response Unit and secondly, completion of expenditures and absence of FY 2004 balance forward funds for the J-Link project to upgrade the agency's current computer network also funded by the Rhode Island Justice Commission.
- An increase of \$1.8 million for the Department of Environmental Management is primarily attributable to \$1.8 million for the Rosehill Superfund site in South Kingstown, \$700,000 for the Blackstone Watershed Project grant, \$429,061 for various freshwater fish conservation and assessment grants, and \$348,425 for non point source pollution abatement grants. These increases are offset by reductions of \$1.5 million for the Commercial Fisherman's Trust, which was a one-time grant disbursed in FY 2005.
- A decrease of \$1.1 million for the Coastal Resources Management Council is attributable to a return to the base grant level, with no balance forward funds, as modified by statewide fringe benefit adjustments.

For FY 2006, the Governor recommends **Restricted Receipt fund** expenditures totaling \$104.1 million, a decrease of \$12.2 million from the revised FY 2005 level of \$116.3 million. Restricted receipts are revenues, such as licenses and fees, which are solely dedicated to activities specified by the legislation that created the receipt. The most significant changes are:

- A net decrease of \$4.3 million for the Department of Labor and Training is primarily attributable to \$1.65 million of Adult Literacy expenditures from the Job Development Fund that will no longer be budgeted in the Department of Labor and Training, and to the completion of \$1.2 million in one-time computer technology expenditures from the Workers' Compensation fund. Beginning in FY 2006, the Adult Literacy program will be budgeted in the Department of Education.
- A decrease of \$3.7 million for the Office of the General Treasurer. The completion of the purchase of Fleet Boston Financial (FBF) by Bank of America has reduced the revenue generated by the unclaimed property program. The reduction is due to the fact that Bank of America is a North Carolina chartered financial institution and, as a result, the value of the unclaimed property of FBF's non-resident customers will accrue to the State of North Carolina. Previously, the value of this unclaimed property accrued to the State of Rhode Island due to FBF's designation as a Rhode Island chartered financial institution.

Non-General Revenue Receipts

- A decrease of \$591,558 for the Department of Children, Youth, and Families. The FY 2005 revised budget includes funding for architectural/engineering services within the Juvenile Corrections-Training School program funded through Economic Development Corporation (EDC) funds that are not available in FY 2006.
- An increase of \$1.2 million for Human Services. The increase is primarily attributable to indirect cost recoveries on federal grants, which reflect expanded federal expenditures. Recoveries on Child Support Enforcement grants, reassigned from the Department of Administration in FY 2006, are recognized for the first time. Another component includes new Veterans' Home renovation projects in FY 2006.
- An increase of \$1.5 million for the Department of Elementary and Secondary Education is largely attributable to \$1.65 million of Job Development funds received from the Human Resource Investment Council (HRIC) used to support adult basic education and literacy. This increase reflects the Governor's Task Force recommendation and the consolidation of the governance structure within the Department of Education for FY 2006. HRIC funds totaling \$1.65 million will be used in conjunction with other federal and state funds targeted to the adult literacy agenda.
- A decrease of \$6.4 million for the Department of Transportation relates to EDC general obligation bond proceeds, available in FY 2005 reflects completion of the Freight Rail Improvement Project.

For FY 2006, the Governor recommends **Other Funds** expenditures totaling \$1.115 billion, an increase of \$49.9 million from the revised FY 2005 level of \$1.065 billion. This category is primarily comprised of funds in the University and College Fund, Employment Security and Temporary Disability funds, and the portions of the gasoline tax dedicated to the Department of Transportation, the Department of Elderly Affairs, and the Rhode Island Public Transit Authority. Other funds also include operating transfers, such as the Rhode Island Capital Plan Fund (RICAP). The most significant changes are:

- A \$22.9 million shift of debt service costs from general revenues to the RICAP fund for the Department of Administration.
- An increase of \$14.8 million for the Office of Higher Education, which includes increases in University Funds, auxiliaries, and student aid at the University of Rhode Island, Rhode Island College and the Community College of Rhode Island.
- An increase of \$9.3 for the Department of Labor and Training including a \$7.6 million increase in Temporary Disability Insurance for payment increases and a \$1.2 million increase in unemployment benefits. Both increases are based on historical patterns and a projected cost of living increase.
- An increase of \$2.8 million in the Institutional Corrections program of the Department of Corrections for RICAP projects such as the renovation of the roof at the women's facility, high security infrastructure improvements, relocation of the MIS/Administration. units and infrastructure improvements at the minimum security facility.

All Sources

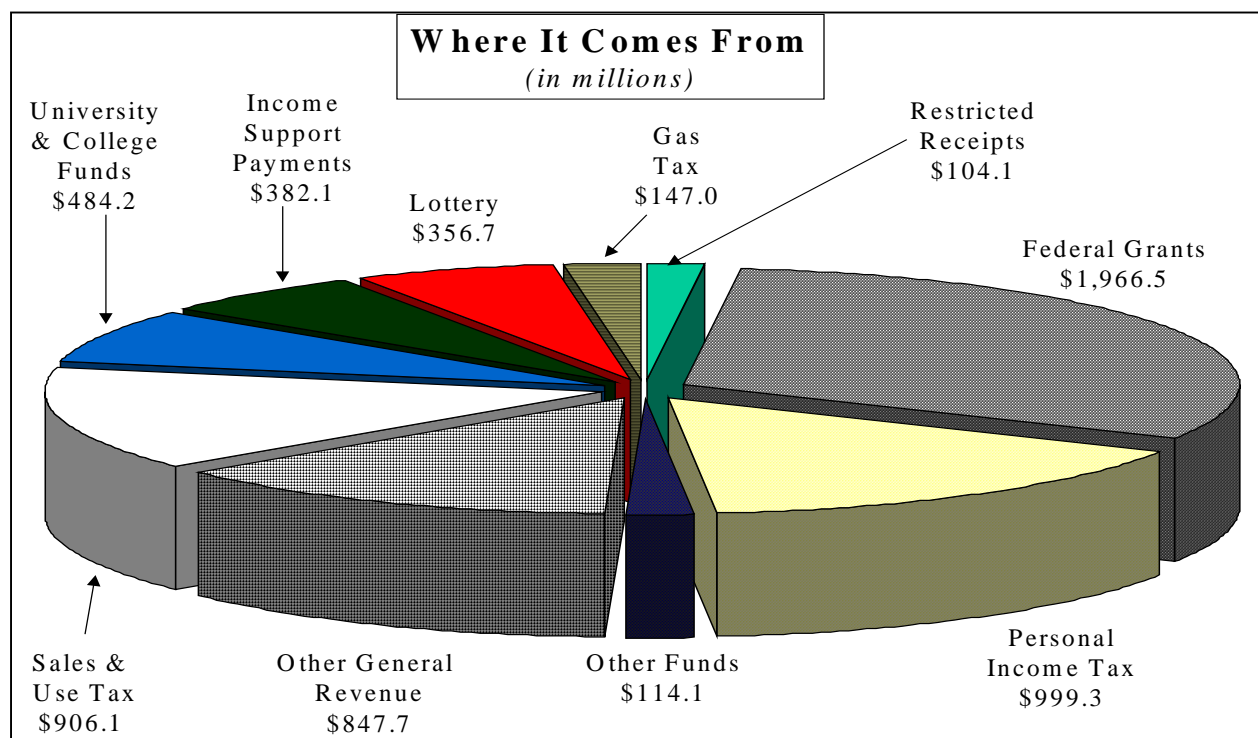
The total budget of \$6,254.9 million includes all sources of funds from which state agencies make expenditures.

Federal funds represent 31.4 percent of all funds. Over 72.4 percent of federal funds are expended for human services, primarily for Medicaid.

Income and Sales and Use Taxes combined represent 30.5 percent of all revenue sources.

University and College Funds, and Income Support Benefit payments represent 7.7 percent, and 6.1 percent of the total, respectively.

Remaining sources include: Other General Revenues (12.7 percent); Gas Tax Revenues (2.4 percent); Lottery Transfers (5.7 percent); Restricted Receipts (1.7 percent); and Other Funds (1.8 percent).



All Expenditures

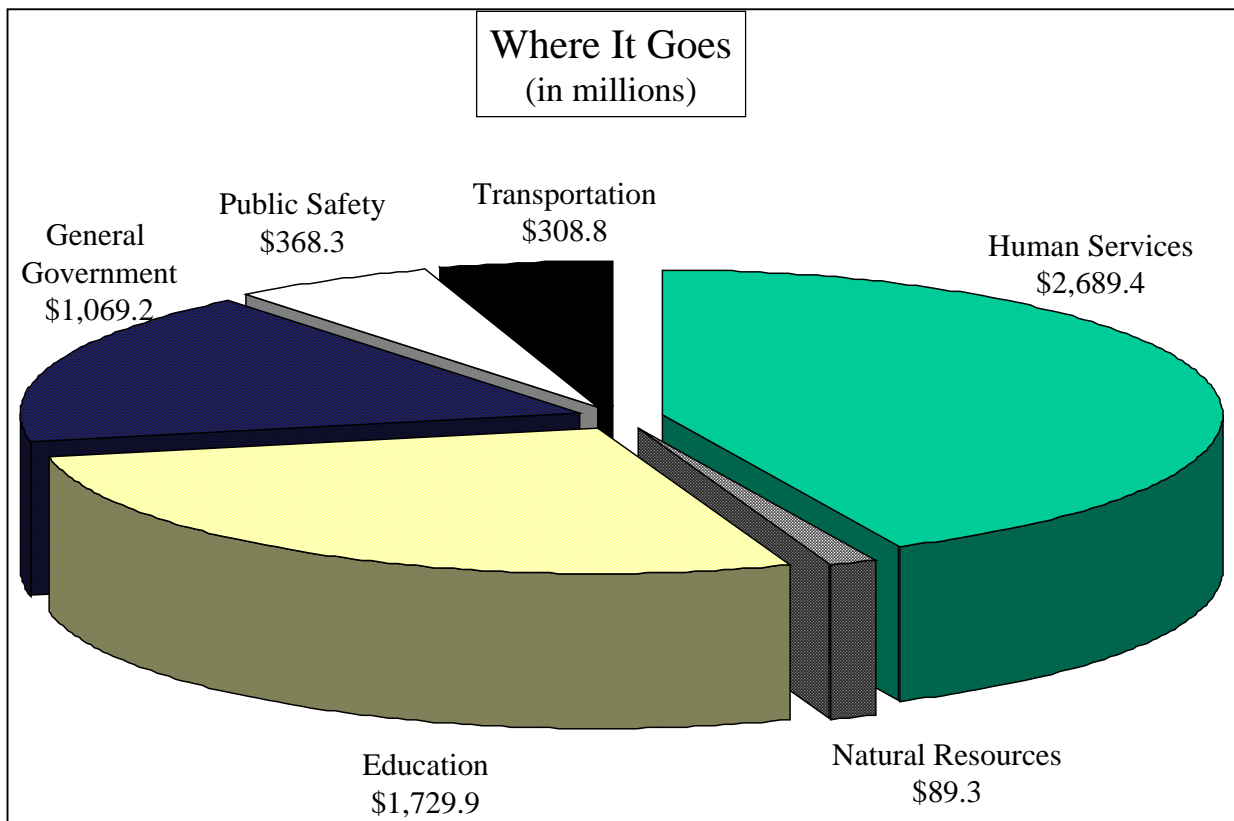
Approximately seventy percent of all expenditures are for human services and education programs. The budgets for the human service agencies total \$2.689 billion, or approximately forty-three percent of all expenditures. These programs constitute the state's safety net.

Education expenditures comprise approximately twenty-seven and a half percent of total expenditures, or \$1.730 billion. Of this total, \$941.2 million represents funding for aid to local units of government. This is approximately fifty-four percent of all education expenditures, including higher education.

Approximately forty-one percent of the \$1.069 billion expended for general government is for grants and benefits to individuals. Most of these expenditures are for employment and training services or programs, including unemployment compensation.

Transportation expenditures comprise five percent of the total budget and include funds for public transportation, as well as highway, road and bridge expenditures.

In total, expenditures from all funds are recommended to increase by 2.9 percent over the revised FY 2005 budget.



Expenditure Summary

FY 2005 Revised General Revenue Expenditures

Revised FY 2005 general revenue expenditures total \$2.963 billion and reflect a net increase of \$25.7 million from the enacted budget, or 0.9 percent. The net increase in spending includes the addition of \$10.1 million of re-appropriated balances from FY 2004, and an increase of \$15.5 million in expenditures.

The largest re-appropriations within the FY 2005 revised budget relate to expenditures for the Department of Administration of \$3.9 million, the Legislature of \$3.9 million, and the Office of the General Treasurer of \$775,258. The re-appropriations to FY 2005 for the Office of the General Treasurer relate to the Station Fire Compensation Fund. The Department of Administration re-appropriations include \$1.8 million for the Renewable Energy Fund, \$500,000 for the Masonic Temple, \$500,000 for the Taxation Case Management System, \$292,859 for the Technology Initiatives Fund, \$122,695 for the Housing Resources Commission and \$647,542 for the Contingency Fund. For the Legislature, the entire re-appropriation is reflected in the grants category of the Joint Committee on Legislative Services program. A statutory re-appropriation, for the Judicial Department, in the amount of \$522,807 was recommended for the Indigent Defense Fund.

Other significant expenditure increases included in the Governor's revised FY 2005 recommendations are discussed below. For the Department of Administration, supplemental appropriations, absent re-appropriations, total a reduction of \$3.3 million. This includes increases of \$846,606 for the Renewable Energy Program, \$797,572 for State Employees and Teachers' Retiree Health Subsidies, \$547,733 for Statewide Benefit Assessments and \$503,150 for utility costs. Reductions for Debt Service, Retirement and Grants are discussed below.

For the Department of Children Youth and Families, supplemental expenditures total \$9.9 million and include \$5.2 million for children's behavioral health programs and \$4.3 million for child welfare programs, which includes increased placement costs. These increases are partially offset by grants and benefits cost savings of \$605,137 in the Juvenile Corrections Program.

For the Department of Health, increased expenditure of \$165,013 relates to the Governor's Nursing Home Patient Safety Initiative, which includes 6.0 full time equivalent positions. This initiative will increase the level of monitoring of nursing homes, to minimize health risks to nursing home residents, resulting from financial insolvency.

For the Department of Human Services, the Governor recommends a supplemental appropriation of \$11.6 million, and includes increased caseloads for medical benefits of \$7.8 million, cash assistance increases of \$2.4 million and child care costs of \$566,675. The remaining increases primarily relate to Section 340B of the federal Public Health Service Act for a pharmacy initiative contractor of \$400,000, and \$1.4 million for a federal Temporary Assistance to Needy Families (TANF) grant penalty related to Child Support Enforcement compliance.

The Governor's FY 2005 supplemental budget recommendation for the Department of Mental Health Retardation and Hospitals totals \$7.2 million. It consists of \$2.5 million for utility costs in the Central Power Plant and \$497,459 for staff costs for the Rhode Island Community Living and Support program (RICLAS). It also reflects \$3.2 million for developmental disability grant-based services, \$1.1 million for mental health services, \$637,934 for the Community Medication Assistance Program (CMAP), and \$171,600 for detoxification services in the Division of Substance Abuse.

The Governor recommends an increase of \$705,059 for The Board of Governors for Higher Education including \$533,000 for utility inflation, and adjustments for COLA and medical co-pay costs. For the

Expenditure Summary

Department of Elementary and Secondary Education the Governor recommends additional expenditure outlays for the Central Falls School District of \$2.0 million and \$361,566 for the Perkins Tuition program.

Offsetting these major increases in general revenue expenditures are other significant cost savings included in the Governor's revised budget for FY 2005. For the Department of Administration, these savings consist of \$4.7 million in debt service expenditures, including \$2.4 million for general obligation bonds, \$1.9 million for certificates of participation (COPS) and \$0.4 million for tax anticipation notes (TAN's). The recommendation also reflects reductions of \$1.5 million for the EPScore program at the Economic Development Corporation and \$1.3 million for retirement savings based upon the Governor's proposal for the Employee Retirement System.

For the Legislative branch, the Governor recommends reduced expenditures of \$2.1 million for unspent FY 2004 appropriations for legislative grants. Subsequent to the re-appropriation process, the Legislature requested reduced expenditure levels for grants to community agencies.

The Governor also includes, in the FY 2005 revised budget for the General Treasurer, a reduced requirement of \$2.2 million for the Crime Victim Compensation Program related to the Station fire.

For the Department of Elderly Affairs, the costs of the Rhode Island Pharmaceutical Assistance to the Elderly (RIPAE) program are reduced by \$2.9 million based on utilization of an interim drug benefit card by 7,900 eligible seniors. For the Department of Health, the Governor includes a shift in operating expenditures of \$230,000 to restricted receipts assessments for indirect cost recoveries.

For the Department of Human Services, the Governor's revised proposal includes personnel cost savings of \$1.4 million related to turnover and the streamlining of operations. For the Department of Mental Health Retardation and Hospitals, the Governor recommends reduced expenditures of \$614,319 for sewerage costs at the Pastore Center. Other net personnel cost savings for this department including statewide adjustments and turnover savings total \$444,659.

Within the Department of Elementary and Secondary Education, other significant reductions in the Governor's revised FY 2005 budget include \$4.1 million for Teacher Retirement, \$1.7 million for School Housing Aid, and \$500,784 in Assessment savings.

For the Rhode Island State Police, cost savings totaling \$1.1 million consist of \$322,150 in deferred expenditures for vehicle purchases and \$711,383 for retirement savings. The final major cost savings relate to the Department of Environmental Management for the Host Beach Community Revenue Sharing Program of \$102,000 and turnover savings of \$107,700 for compliance and inspection staff.

FY 2006 Expenditures from All Funds

All funds expenditures for FY 2006 are \$6.255 billion, reflecting an increase of \$178.3 million, or 2.9 percent from the FY 2005 revised budget. The increase in spending from an all funds perspective reflects a \$123.4 million increase in the Human Services function, and \$73.1 million in the Education function. Of this total, 49.1 percent or \$3.070 billion, is general revenue funds, \$1.967 billion, or 31.4 percent, is from federal funds, \$1.115 billion, or 17.8 percent, is from other sources, and \$104.1 million, or 1.7 percent, is from restricted or dedicated fee funds.

On a functional basis, the largest share of expenditures are in the Human Services area and total \$2.689 billion, or 43.0 percent of the total budget. Spending for Education is \$1.730 billion, which comprises 27.7 percent of spending, while expenditures for General Government, including all debt service, is \$1.069 billion,

Expenditure Summary

or 17.1 percent. Public Safety, Natural Resources, and Transportation expenditures comprise the balance of the total, at \$766.4 million, or 12.3 percent of the total budget.

Expenditures are also recorded on a categorical basis. On this basis, the largest share of the budget finances grants and benefits, and equals \$2.855 billion, or 45.6 percent of the total. Personnel expenditures total \$1.476 billion, or 23.6 percent, local aid expenditures, which are 18.3 percent or \$1.145 billion of the total budget, are the next largest category. Expenditures for operations total \$411.9 million, or 6.6 percent. The balance of spending is required to finance capital and debt service expenditures and totals \$366.9 million, or 5.9 percent of total spending.

FY 2006 General Revenue Expenditures

Expenditures from general revenues total \$3.070 billion for FY 2006. By function, spending by Human Services agencies constitute the largest share and total \$1.228 billion, or 40.0 percent of the general revenue budget. Spending for Education programs, totaling \$1.035 billion, or 33.7 percent of the budget, closely follow Human Services expenditures. General revenue spending for General Government and Public Safety are recommended at \$468.4 million, or 15.3 percent, and \$299.1 million, or 9.7 percent, respectively. Expenditures from general revenue for Natural Resources total \$39.4 million, or 1.3 percent of total spending. Transportation expenditures are financed from dedicated gasoline taxes and federal funds and therefore are not included in general revenue recommendations.

General revenue expenditures by category are primarily devoted to financing grants and benefits and local aid. Grants and benefits total \$1.052 billion, or 34.3 percent. Local aid totals \$1.0 billion, or 32.6 percent of the total budget. Personnel expenditures of \$772.5 million comprise 25.2 percent of the budget. Operations total \$163.5 million, or 5.3 percent of the budget, while Capital expenditures total \$81.2 million, or 2.6 percent of the total budget.

When compared to the recommended FY 2005 budget, the FY 2006 general revenue recommendation is \$106.0 million greater, an increase of 3.6 percent. The increase of \$106.0 million includes \$49.8 million in the Department of Human Services for Medicaid increases and \$42.4 million in the Department of Elementary and Secondary Education for Education Aid, Teacher Retirement and School Construction Aid. Within the Department of Children, Youth and Families general revenues are increasing by \$8.1 million and include FMAP adjustments, caseload changes and the general revenue funding of Project Hope. The budget for the Board of Governors for Higher Education increases by \$7.2 million including \$4.5 million in personnel and operating adjustments and \$2.0 million for the operation of the Shepard's building. The general revenue budget for the Department of Mental Health, Retardation and Hospitals increases by \$4.7 million and includes FMAP and caseload adjustments.

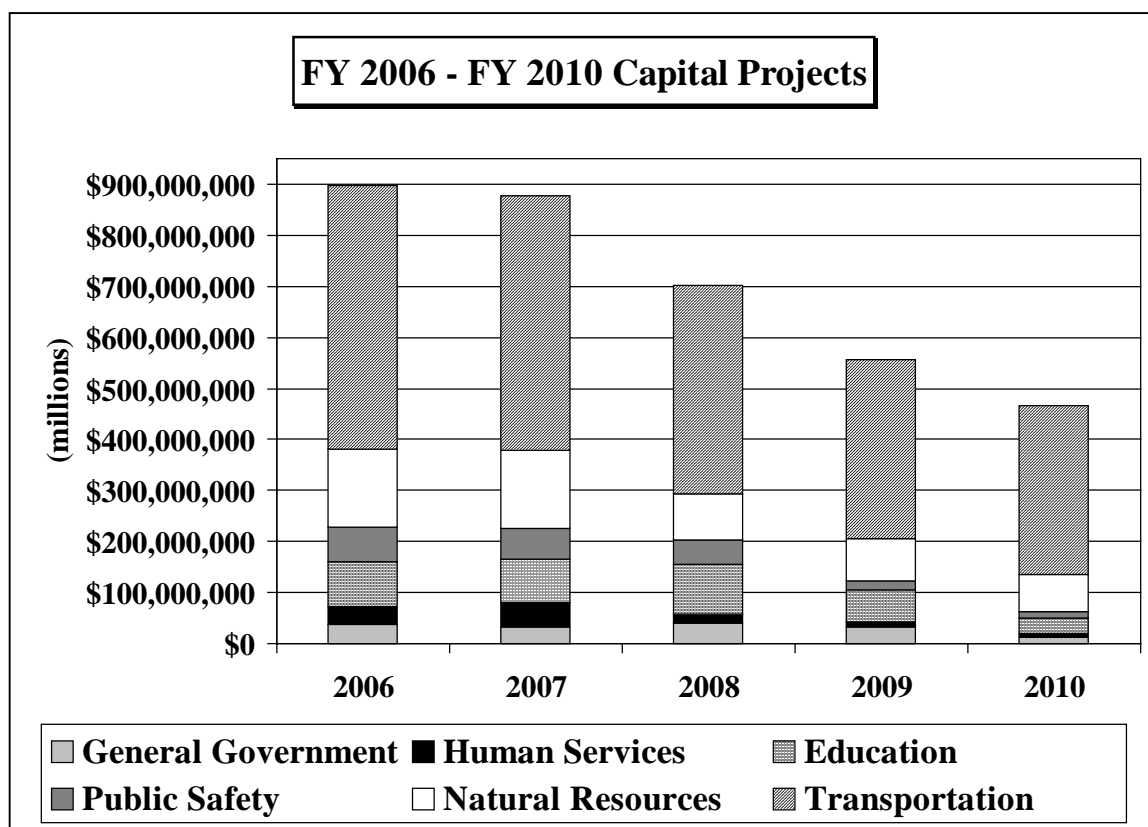
The general revenue budget for the Department of Corrections decreases by \$1.5 million, from FY 2005 to FY 2006 due to a reduction in the expected inmate census. The budget of the Department of Environmental Management is increasing by \$3.5 million and reflects funding for the Rosehill Landfill Superfund Site and \$1.0 million for a new statewide water quality monitoring program. The Department of Administration decreases by \$9.8 million, primarily due to decreased debt service charges to general revenue sources and increased RI Capital Funds.

Capital Budget

Capital Budget Overview

The Governor's FY 2006 Capital Budget and FY 2006 – FY 2010 Capital Improvement Plan are presented in detail in a separate document. The following provides a brief summary of the one-year capital budget and the five-year capital improvement plan.

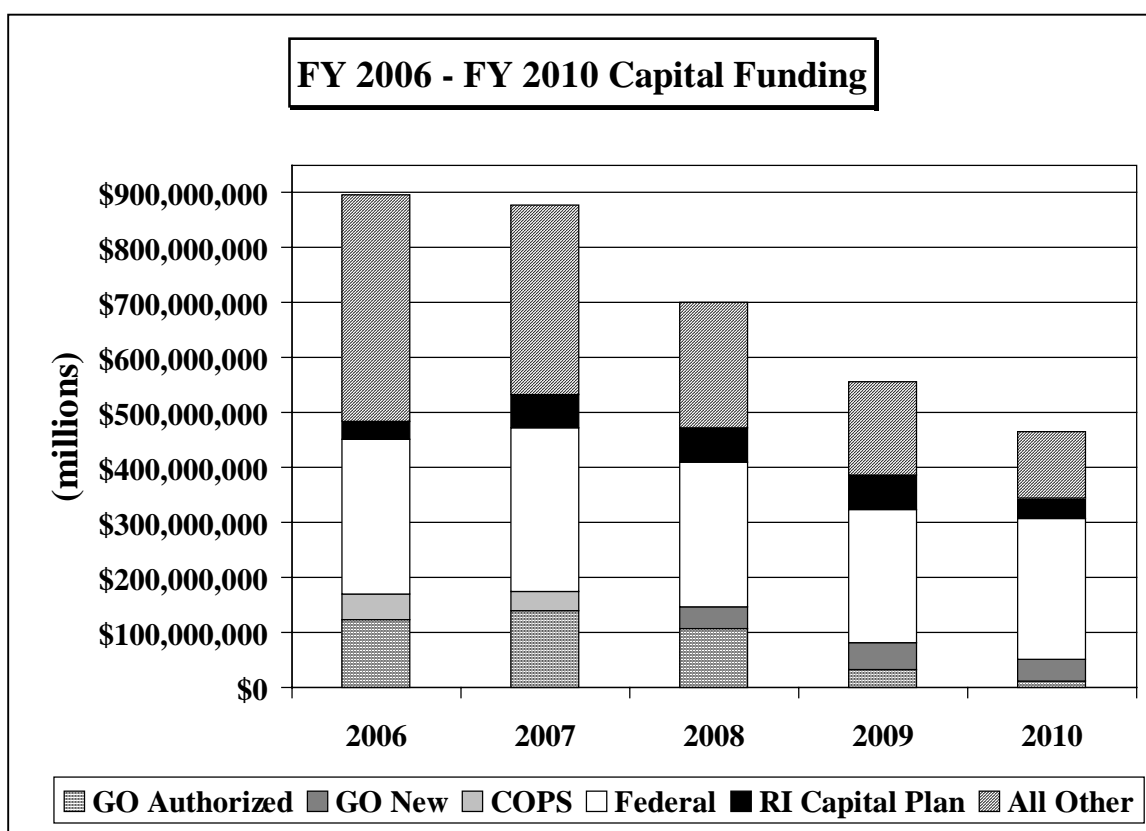
The FY 2006 capital budget includes proposed expenditures of \$897.4 million of which Transportation projects constitute 57.5 percent, Natural Resources projects represent 17.0 percent, Education projects represent 9.8 percent and General Government and Economic Development projects constitute 4.3 percent. Over the five-year planning period Transportation and Natural Resources projects total over \$2.66 billion, or 76.0 percent of capital investments.



Over the five year period, federal funds of \$1.34 billion will finance approximately 38.3 percent of the planned capital projects; general obligation bonds will finance \$542.9 million, or 15.5 percent, with the remaining \$1.62 billion, or 46.2 percent, from other sources, including certificates of participation and the Rhode Island Capital Plan Fund.

A major source of state financing for capital projects is general obligation bonding. As of June 30, 2004, there were \$737.8 million in outstanding general obligation bonds. Over the five-year planning period, the recommended capital improvement plan provides for the issuance of \$409.9 million of authorized debt and the issuance of \$128.2 million from new bond referenda to be submitted for voter approval at the November 2006 and 2008 elections.

Capital Budget



This capital plan addresses the Governor's desire to continue targeting current resources to the infrastructure needs in the state. In order to maintain state-owned property, ensure the safety of those who use these buildings and preserve the value of the properties, the Governor recommends \$34.2 million in FY 2006 from current revenues in the Rhode Island Capital Plan Fund for asset protection projects. Under the Governor's plan, over \$260.9 million will be dedicated from this fund over the next five years to infrastructure needs.

The Governor's plan incorporates the issuance of all bonds approved by the voters in November 1998, 2000, 2002 and 2004 and recommends new referenda in November 2006 and 2008 to continue the state's capital program.

The Governor's capital budget reflects construction of a \$50.0 million Center for Biotechnology and Life Sciences at the University of Rhode Island, approved by the voters in November 2004, to serve as a complement to the established medical research center that already exists in Providence. The Governor believes that the development of a symbiotic relationship between the center at URI and the medical institutions in Providence will provide the state with a competitive advantage in this area and allow for future expansion of the biotechnology industry in the state.

The Governor's recommendations also continue the significant planned investment in Higher Education by including the expenditure of \$64.0 million of bonds also approved in November 2004 to upgrade residence halls and academic facilities. In November 2000, the voters of the state approved a new referendum authorizing the expenditure of \$36.95 million for dormitory renovations at the University of Rhode Island

Capital Budget

and Rhode Island College and the construction of a new Community College of Rhode Island campus in Newport. These projects are fully programmed in the Governor's five-year plan.

In the economic development area, the Governor recommends the expenditure of \$48.0 million approved by the voters in November 2004 to fund continuing improvements at the Quonset Point/Davisville Industrial Park. In addition, the Governor is recommending general revenue funding of \$200,000 in the FY 2006 budget for continued planning efforts to develop a Marine BioScience Research and Business Park at Quonset Point.

The capital plan includes issuance of bonds authorized in November 2002, including funds for a new State Police Headquarters, a new Municipal Fire Academy, grants to the Heritage Harbor Museum, and Roger Williams Park, and a new grant program for capital improvements at museums and cultural art centers.

The environment continues to be a high priority of the Governor. The capital improvement plan includes the issuance of the \$34.0 million of Environmental Management bonds authorized in November 2000, and \$70 million approved in 2004. These funds will be used over a multi-year period to preserve open space, protect ground water supplies, and develop and improve public recreational facilities. The Governor is also recommending general revenue funds over the several years for the remediation of the Rose Hill Superfund site.

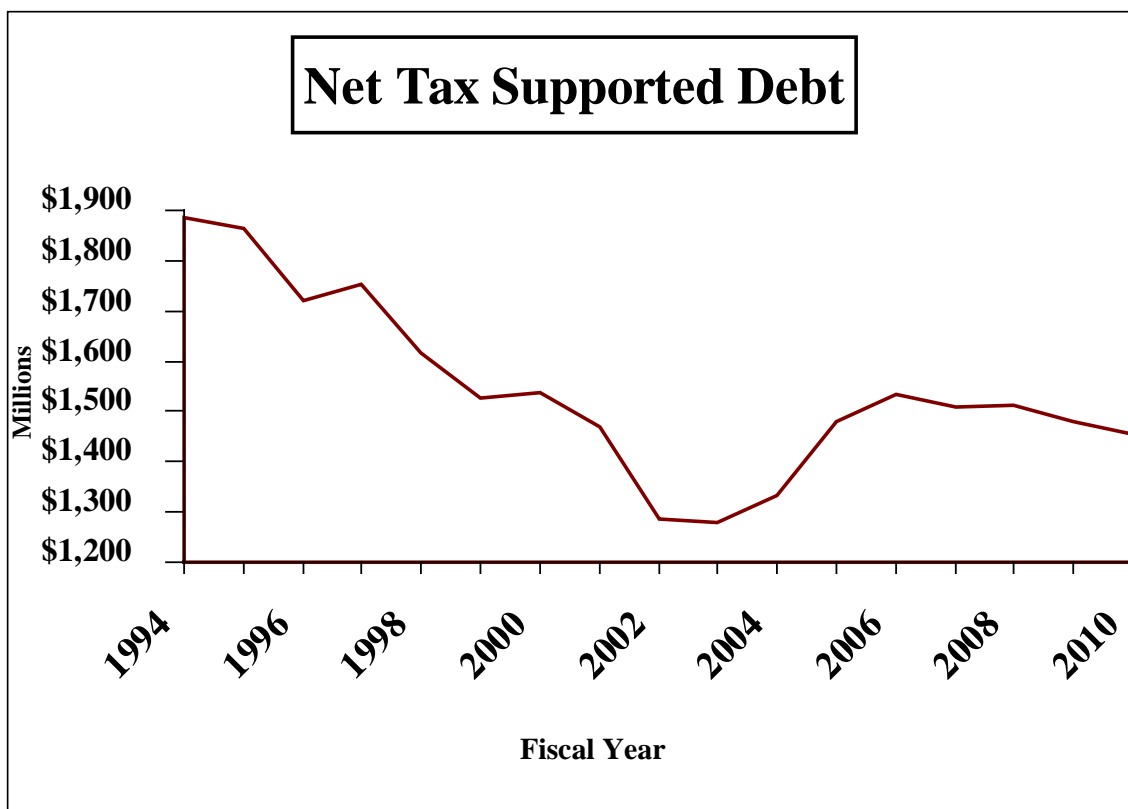
Transportation continues to comprise a significant part of Rhode Island's general obligation debt issuance requirements, reflecting \$155.0 million over the five-year period. In addition, the Governor recommends the expenditure of approximately \$423.0 million in GARVEE bonds and \$93.9 in Motor Fuel Tax Revenue bonds for five major transportation projects over the planning horizon. The projects to be funded from these resources are the I-195 relocation, the replacement of the Sakonnet Bridge, repairs to the Washington Bridge, the construction of the Rt. 403 Quonset Access Road and the completion of the Freight Rail Improvement Project.

The Governor's Capital Budget is within the recommended debt guidelines set by the Public Finance Management Board. The Capital Budget, a comprehensive document which is part of the consolidated operating and capital budget required by law, compares the projected debt ratios resulting from the Governor's recommended Capital Budget to these guidelines. As can be seen in the section entitled "Tax Supported Debt Burden", the recommended Capital Budget projects a ratio of debt to personal income which is well within the recommended 5.0 to 6.0 percent guideline, decreasing from 8.4 percent in FY 1994 to 4.03% in FY 2005, and further to 3.24 percent in FY 2010. The projected ratio of debt service to general revenues is also within the recommended guideline of 7.5 percent.

The capital plan shows that net tax supported debt is projected to be \$1.454 billion by FY 2010. This would be a reduction of almost \$429.6 million from the FY 1994 high of \$1.884 billion. As of June 30, 2004, the State had net tax supported debt of \$1.334 billion. From FY 2005 to FY 2010, \$802.7 million of new tax supported debt will be issued, while \$614.2 million of outstanding and new debt will be retired.

As shown on the graph below, net tax supported debt has declined significantly. The dip in FY 2003 reflects the fact that the issuance of general obligation bonds for FY 2004 projects and certificates of participation for two projects were not executed prior to June 30, 2003.

Capital Budget

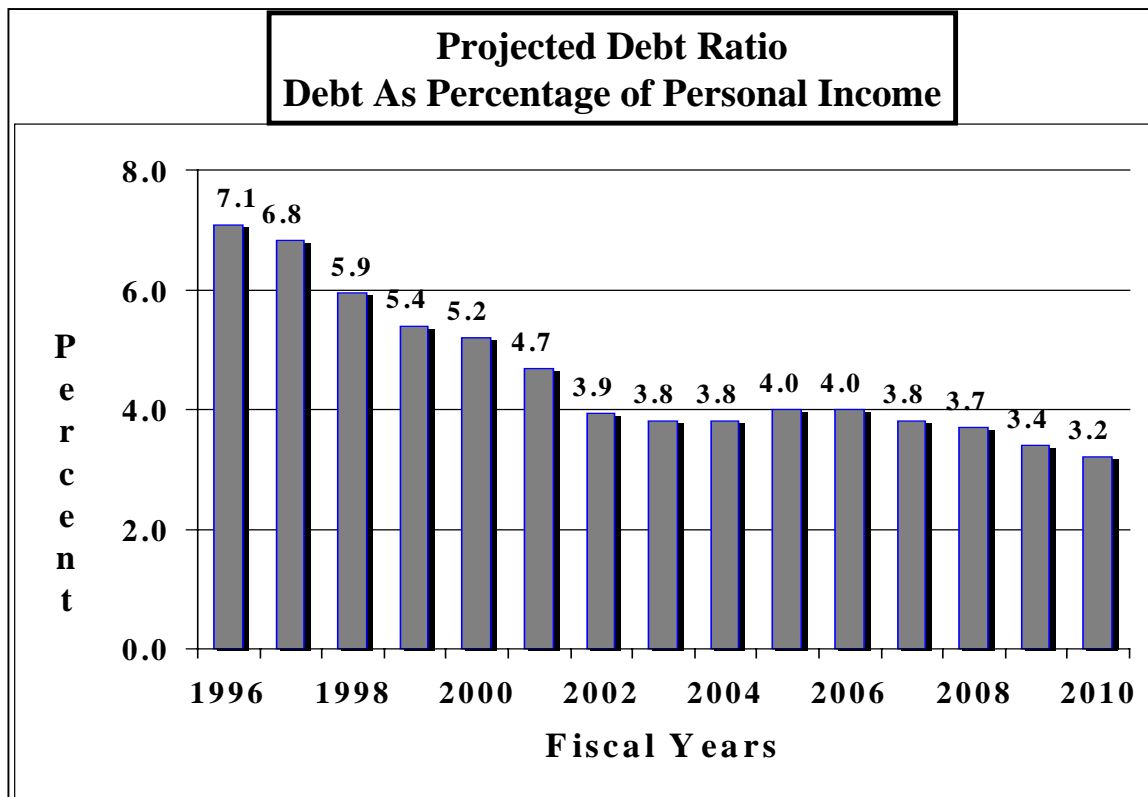


The Governor's recommended FY 2006 Capital and Operating Budgets reflects debt reduction during FY 2002 using resources from the proceeds of Tobacco Securitization Bonds to defease \$247.6 million of debt (\$295.5 million reflecting the accreted value of capital appreciation bonds). This defeasance of outstanding general obligation debt and certificates of participation using the proceeds of bonds which are not considered state debt, resulted in a significant reduction in Rhode Island's net tax supported debt position. The use of these accelerated Tobacco Settlement resources accelerated the trend of reducing net tax supported debt beyond that which had been displayed in previous Capital Budgets. It also resulted in \$39.3 million of debt service savings in FY 2006, and additional savings over the next ten years, providing significant budget relief.

The reduction in state debt of \$247.6 million at the end of FY 2002 resulted in significant improvement in the state's debt position compared to that which would result without use of the proceeds from Tobacco Securitization for defeasance. According to the 2004 "Moody's Medians," Rhode Island's net tax-supported debt as a percent of personal income of 4.4 percent in 2004 ranks twelfth in the nation. (Due to slight variations in calculation methods, and timing, the state's number varies from Moody's. Moody's medians for 2004 reflect net tax supported debt as of calendar 2003). The national median is 2.4 percent of net tax supported debt as a percent of personal income. From FY 2003 to FY 2004, the national median increased from 2.2 percent to 2.4 percent, while Rhode Island's decreased from 5.0 percent to 4.4 percent. This resulted in a movement to the twelfth place from eighth place in Rhode Island's ranking released by Moody's in 2003, so Rhode Island's relative position also continues to improve. In 1996, Rhode Island ranked third. In 1984, Rhode Island ranked twenty-fifth in the nation with a ratio of 2.4 percent. The Governor's recommended

Capital Budget

capital budget will result in improvement in the state's ratio of debt as a percentage of personal income, which is expected to decline from 8.18 percent at the end of FY 1995 to 4.0 percent at the end of FY 2005, to 3.2 percent in FY 2010.



The Governor's proposed Capital Improvement Plan for FY 2006 - FY 2010 reflects the eighth year in a comprehensive, yet affordable asset protection program that will result in the dedication of over \$260.0 million of current revenues towards preserving Rhode Island's buildings and other assets over the next five years. The multi-year plan of dedicating increased resources towards pay-as-you-go capital projects was modified in past fiscal years to address operating budget deficits and resulted in numerous planned capital projects being deferred. The Governor's FY 2006 recommended budget funds some of these deferred projects, but defers many until resources are more abundant. There are capital needs in FY 2006, particularly with respect to Higher Education, which have not been funded through the Rhode Island Capital Plan Fund. It is anticipated that resources will be dedicated to those projects as the budget is finalized, either through a reallocation of RICAP funds (less debt service charges), carryover funds from Higher Education's FY 2005 allocation, or Higher Education revenues, as a last resort. The Governor's plan dedicates all future RICAP resources in FY 2007 and thereafter towards maintaining and improving the state's infrastructure.

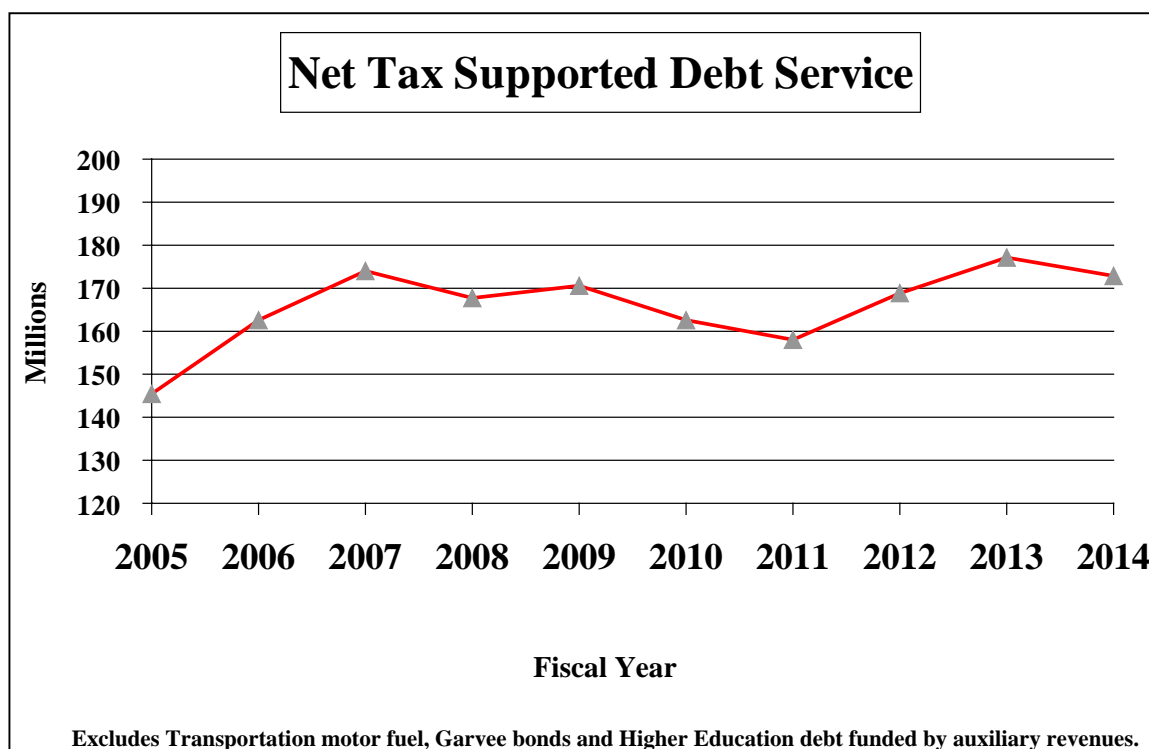
Capital Budget

RI Capital Plan Funds

	Debt Service	Project Expenditures	Percent for Projects
FY 1994	.0	.2	.0%
FY 1995	32.5	.9	2.7%
FY 1996	29.3	.7	2.2%
FY 1997	33.3	.5	1.5%
FY 1998	26.8	2.9	9.8%
FY 1999	24.1	11.7	32.7%
FY 2000	14.0	19.8	58.8%
FY 2001	7.4	22.7	75.4%
FY 2002	31.5	44.8	58.8%
FY 2003	27.1	19.3	41.6%
FY 2004	32.3	16.5	33.8%
FY 2005	18.8	45.8*	70.9%
FY 2006	39.4	34.1	46.4%
FY 2007	0.0	61.1	100.0%

* Includes funding reappropriated from FY 2004

The Governor recommends debt service funding from all sources of \$220.2 million for debt and other long term obligations, including \$95.9 million for general obligation debt service, \$17.8 million for Rhode Island Refunding Bond Authority (formerly RIPBA) obligations, \$23.5 million for the Convention Center obligation, \$9.6 million for motor fuel debt service, \$41.8 federally funded GARVEE debt service, \$21.4 million for certificates of participation and long-term obligations, \$5.0 million for Higher Education non-general obligation debt, and \$5.2 million for performance-based obligations. A detailed description of these obligations can be found in the capital budget document, and the long-term projections are shown in the chart below:



Capital Budget

The projection of debt service costs reflects updated debt service projections as included in the FY 2006 – FY 2010 Capital Improvement Plan. General revenue funded debt service on all tax supported obligations are projected to rise from \$79.0 million in FY 2006 to \$115.7 million in FY 2010. The plan calls for the issuance of general obligation bonds in FY 2005 of \$76 million, and \$100 million thereafter. It is assumed that interest on the general obligation bonds issued will be 5.0 percent for twenty year fixed rate debt, and 2.5 percent for outstanding variable rate debt. It reflects the diminishing benefit of the debt service savings resulting from the debt defeasance using tobacco securitization proceeds. In FY 2007 the general revenue appropriation for debt service reflects debt service savings of \$25.5 million from defeasance; these savings decline to \$17.1 million by FY 2010 and result in an \$8.4 million increase in projected requirements.

The projected general revenue requirements for debt service are dependent upon the allocation of debt service costs to other sources of funds. In FY 2002 through FY 2006, the budget recommendations to defer some capital projects provided budgetary relief, but resulted in a structural imbalance in FY 2007 when those funds are redirected to capital projects rather than debt service. The projection assumes that Rhode Island Capital Plan funding for debt service will increase from \$18.7 million in FY 2005 to \$39.4 million in FY 2006. In FY 2007 and thereafter, zero debt service will be funded from the Rhode Island Capital Plan funds. This results in increased general revenue appropriations for debt service of \$43.6 million from FY 2006 to FY 2010. Disbursements for capital projects are reflected as Rhode Island Capital Plan Fund expenditures, not general revenue, and therefore are not reflected in the five-year report as operating costs.

It is assumed that the Department of Transportation general obligation debt service funded by gas tax revenues in FY 2006 through FY 2010 will total \$36.1 million, \$40.9 million, \$36.0 million, \$37.7 million, and \$40.6 million respectively. It is assumed that the two cents of the gas tax dedicated to Motor Fuel bonds issued by EDC is equal to \$9.6 million annually. It is assumed that the Rhode Island Public Transit Authority debt service funded by gas tax revenues in FY 2006 through FY 2010 will total \$0.7 million, \$0.8 million, \$0.8 million, \$0.9 million, and \$0.9 million respectively. It reflects the issuance of \$22.2 million, \$32.5 million, \$32.5 million, \$32.5 million, \$30.0 million and \$30.0 million in FY 2005 – FY 2010 for the Department of Transportation. It reflects issuance of \$1.1 million, \$1.54 million, \$.45 million and \$.55 million in FY 2005 to FY 2009 for the Rhode Island Public Transit Authority.

Obligations for McCoy Stadium are estimated at 2.5 percent, reflecting an average estimate of the variable rate interest costs to be paid on the balance of this debt. Obligations arising from the Traffic Tribunal Court (\$26.4 million) and the Juvenile Training School (\$55.7 million) are assumed to be financed by general revenues, and interest is assumed at 5.0 percent. Debt service costs for these projects increase from \$2.7 million in FY 2006, which reflects only interest, to \$6.8 million in FY 2010, an increase of \$4.1 million. Additionally, the debt financing for the FY 2006 requirements for the Neighborhood Opportunities Program add \$1.2 million of debt service. Rhode Island Refunding Bond Authority costs are \$10.7 million lower in FY 2010 compared to FY 2006 due to final amortization of outstanding PBA debt.

The obligations arising from the performance based contracts between the Rhode Island Economic Development Corporation and private entities are projected to result in state appropriations due to the projected achievement of performance targets. The FY 2006 forecast includes \$1,600,000 for Fidelity, zero for Fleet, and \$3.7 million for Providence Place Mall. In FY 2007 and thereafter, it assumes the Fidelity I and

Capital Budget

Providence Place Mall obligations are funded at the maximum level of \$2.5 million, and \$3.6 million, respectively. The forecast assumes no requirement for the Fleet obligation or the second Fidelity transaction, which if earned would total approximately \$0.3 million and \$0.9 million, respectively.

General Government

General Government

Summary

General Government includes agencies that provide general administrative services to all other state agencies, and those that perform state licensure and regulatory functions. It includes: most *elected officials*, including the Governor, Lieutenant Governor, General Treasurer, and the Legislature; *administrative agencies*, including the Department of Administration, the Department of Labor and Training, and the Board of Elections; and *regulatory agencies*, including the Department of Business Regulation and the Public Utilities Commission. The Governor recommends 2,487.9 FTE positions in FY 2005 and 2,386.1 FTE positions in FY 2006 within general government agencies.

The FY 2005 revised budget for General Government agencies totals \$1.075 billion, including \$480.0 million in general revenue, \$75.9 million in federal funds, \$63.3 million in restricted receipts, and \$456.0 million in other funds. The revised budget from all fund sources for General Government agencies is \$9.6 million less than the FY 2005 enacted budget of \$1.084 billion.

General revenue expenditures for General Government agencies increase in FY 2005 by \$474,097 as compared to enacted levels. This increase is primarily associated with the Legislature (increase of \$1.6 million), the Department of Administration (increase of \$597,875), and the Secretary of State (increase of \$90,597). Most of these increases were offset by reductions in the General Treasurer (decrease of \$1.4 million), the Department of Business Regulation (decrease of \$231,313), and the Public Utilities Commission (decrease of \$141,620). The increase for the Legislature is a mandatory reappropriation of \$3.9 million, which was allocated for grants for the Joint Committee on Legislative Services. The \$1.4 million reduction in the Treasury is associated with the Crime Victims Compensation Program grants for Station Fire Victims; future payments under the program will be funded from federal sources in fiscal years beyond FY 2006. The major increases for the Department of Administration include \$1.1 million for Energy Office Grant programs, \$3.9 million for balance forward funding, \$0.5 million for utility costs, \$0.7 million for registry costs, and \$0.8 million for retiree health subsidy. Major decreases include debt service changes of \$4.7 million, EPSCORE matching grant of \$1.5 million, and statewide retirement savings of \$1.3 million.

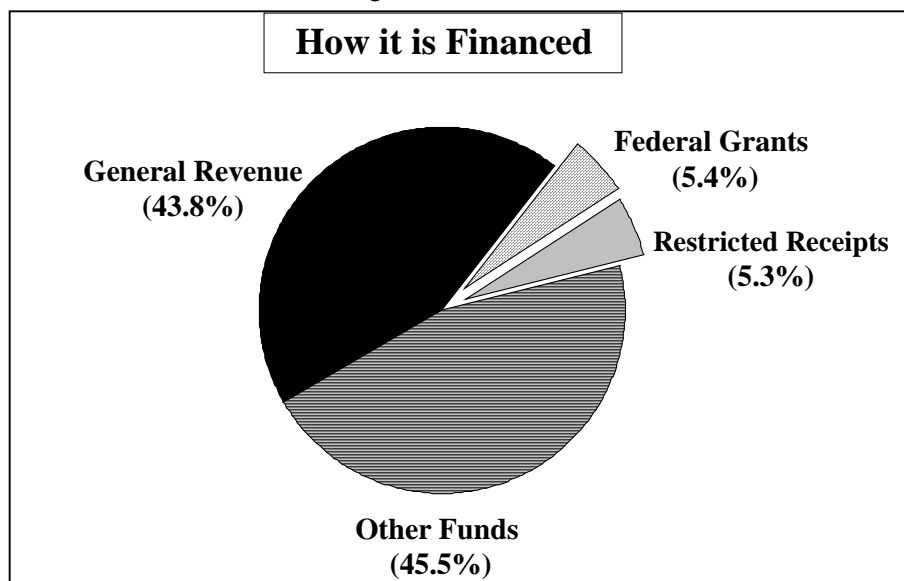
Federal funds increase by \$448,551 from enacted FY 2005 appropriations. Additional federal expenditures in the Department of Labor and Training (increase of \$3.4 million) and the Board of Elections (\$340,748) account for most of the increase. These increases are largely offset by reduction of federal funds in the General Treasurer (decrease of \$2.2 million) and the Department of Administration (decrease of \$1.1 million). For the Department of Labor and Training, new discretionary grant awards and balance forward funding in the Workforce Development program are responsible for \$3.0 million of the increase, while new federal Reed Act disbursements account for the \$0.4 million increase in the Income Support Program. For the General Treasurer, the \$2.2 million reduction in federal funds is for assistance to Station fire victims. Reduced federal funding for the Community Development Block Grant funding resulted in the \$1.1 million decrease in the Department of Administration.

Restricted receipts decrease by \$3.5 million compared to enacted FY 2005 appropriations. The reductions were primarily in the General Treasurer (decrease of \$1.5 million) for Crime Victim Compensation and Unclaimed Property; the Department of Administration (decrease of \$1.2 million) for a reduction in debt service cost on tax anticipation notes; and the Department of Labor and Training (decrease of \$1.0 million) for reduced requirements for HRIC Core Services funds.

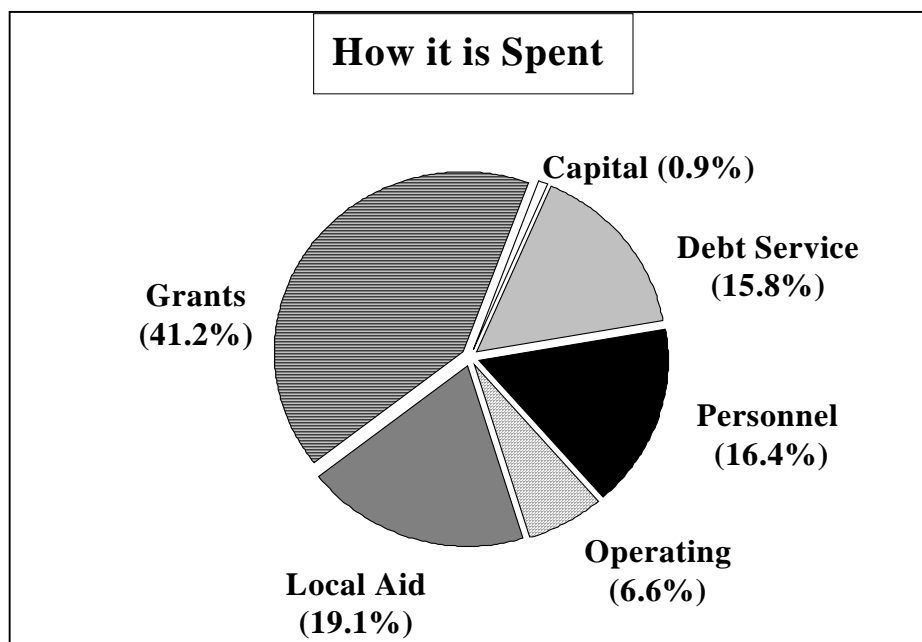
General Government

A decrease of \$7.0 million in other fund expenditures from the enacted budget is primarily due to reduced Employment Security Trust Fund payments of \$8.0 million in the Department of Labor and Training, resulting from gradually improving economic conditions, as well as the withdrawal of \$1.5 million of Rhode Island Capital Plan Funding for a Legislative office building. Some of this reduction is offset by an increase of \$1.6 million in Temporary Disability Insurance payments, also in the Department of Labor and Training, and an increase of \$1.9 million for reappropriated Rhode Island Capital Plan Funds in the Department of Administration.

For FY 2006, the Governor recommends expenditures of \$1.069 billion for General Government programs. The programs are financed with \$468.4 million of general revenue, \$58.1 million of federal funds, \$56.2 million of restricted receipts, and \$486.5 million of other funds. The FY 2006 recommendation for General Government agencies is \$5.9 million less than the revised FY 2005 level.



Of the \$1.069 billion recommended for FY 2006, \$440.2 million is for grants and benefits, \$175.9 million for personnel, \$203.7 million for local aid, \$178.3 million for capital, and \$71.1 million for operating. The General Government function represents 17.1 percent of the total budget for Rhode Island.



General Government

General revenue funding for General Government agencies in FY 2006 decreased by \$11.6 million from the FY 2005 revised level. The Department of Administration accounts for most of this decrease, totaling \$9.8 million, primarily attributable to a decrease in general revenue funded debt service of \$6.0 million, which is achieved by shifting debt service costs to Rhode Island Capital Plan Funds. Other major changes in Administration include the shift of \$5.0 million for the Affordable Housing Program from general revenues to debt financing, and an increase of \$4.0 million for the Property Tax Relief program. Expenditures in the Legislature decrease by \$1.2 million due to reappropriations for grants in the Joint Committee on Legislative Services that are not repeated in FY 2006. For the General Treasurer, general revenue decreases by \$707,307 compared to FY 2005 due to Crime Victims Compensation Program funding that is no longer required. General revenue funding for the Secretary of State decreases by \$332,694 due to cyclical costs associated with Primary and Secondary elections. The additional \$4.0 million for property tax credit for citizens over 65 years of age and or disabled persons with incomes of \$30,000 or less program is one of the Governor's FY 2006 tax relief initiatives. The maximum credit available under the program is also being expanded from \$250 to \$500.

In FY 2006, federal funding for General Government agencies decreases by approximately \$17.8 million from the FY 2005 revised level. The change results primarily from reductions of \$11.6 million in the Department of Administration, primarily due to the transfer of the Child Support Enforcement program to the Department of Human Services and a reduction in Community Development Block Grant funding, \$3.6 million in the Department of Labor and Training Investment Act due to School-to-Work grants that end in FY 2005 or early FY 2006.

Restricted receipt funding decreases by \$7.0 million in FY 2006, of which \$4.3 million is associated with Department of Labor and Training programs and \$3.7 million is associated with the General Treasurer. The decrease in the Department of Labor and Training is due to the transfer of Adult Literacy programs to the Department of Education (decrease of \$3.4 million) and the completion of a management information system (\$1.5 million). For the General Treasurer, the \$3.7 million reduction is associated with the Unclaimed Property Program.

For FY 2006, other funds increase by \$30.5 million due to significant changes in both the Departments of Administration and Labor and Training. The Department of Administration increase is primarily attributable to debt service, which increases by \$22.9 million, due to a shift of \$20.6 million of general revenue debt service costs to the Rhode Island Capital Plan Fund and \$2.3 million of transportation debt service costs. The Department of Labor and Training includes an increase of \$9.3 million in other funds, including \$1.2 million for Unemployment Insurance benefit payments, \$7.6 million for Temporary Disability Insurance benefit payments, and a \$429,006 increase in Employment Services expenditures from Reed Act funds.

General Government

Department of Administration

The Governor recommends revised appropriations of \$531.6 million in FY 2005 for the Department of Administration. This includes \$416.2 million in general revenues, \$37.5 million in federal funds, \$9.6 million in restricted receipts, and \$68.3 million in other funds.

The revised FY 2005 budget is \$239,752 greater than the enacted budget. This net increase is comprised of an increase in general revenue appropriations of \$597,875, a decrease in federal funds of \$1.1 million, a decrease in restricted receipts of \$1.2 million, and an increase in other funds of \$1.9 million. These changes include an all funds reduction of \$2.1 million in retirement fund contributions for state employees, to reflect proposed changes in the State's retirement rate contribution due to changes in pension benefits for non-vested and new employees. These savings would be realized by all agencies, but are budgeted as a discrete item in the Department of Administration, pending approval of legislation. Excluding these pension contribution reductions, general revenue funding in the Department of Administration is increasing by approximately \$1.9 million, federal funds decrease by \$557,105, restricted receipts decrease by \$1.1 million, and other funds increase by \$2.1 million.

Reappropriation of funds from FY 2004 results in an increase of \$3.9 million in general revenue funding in FY 2005. This includes \$1.8 million for the Renewable Energy Program, \$647,542 in the Governor's Contingency Fund, \$500,000 for the Masonic Temple, \$500,000 for a case management system in Taxation, and \$122,695 for the Housing Resources Commission.

Debt service adjustments account for the most significant changes in funding in the revised budget. General revenue debt service decreases by \$4.7 million, whereas debt service from federal funds increases by \$69,050, restricted receipts decreases by \$1.2 million and other funds decreases by \$630,816. General revenue debt service decreases as a result of several factors. First, savings are generated in FY 2005 as a result of delays in the issuance of new general obligation bonds and debt associated with the new Youth Correctional Training School facility. Combined, these delays result in savings of \$3.2 million. Second, debt issued during FY 2004 resulted in reduced debt service costs in FY 2005 of approximately \$575,000 due to lower interest rates and principal amortization. Third, the issuance of Tax Anticipation Notes in FY 2005 has been delayed, resulting in general revenue savings of approximately \$370,000.

Local Aid funding decreases by \$86,987. This includes a decrease of \$7,143 in Library Aid and a decrease of \$79,844 in Library Construction Aid. These adjustments are based on the latest data used to determine the actual costs of these programs and provide full funding under current law. Other local aid programs remain funded at enacted levels.

Also included in the FY 2005-revised budget are various adjustments for personnel and operating costs within the several programs of the department. The funding changes recommended are primarily from personnel savings from vacant positions and adjustments to operating to properly reflect projected expenditures. Included in these adjustments is net funding of approximately \$175,000 for the cost of a two-percent cost-of-living adjustment provided to non-union classified employees in August 2004. The cost of the COLA is partially offset by payments from these employees for a share of health benefits. Also included in the revised budget is additional funding of \$375,000 for various changes in benefit costs, including increased medical benefit costs and changes in the retiree health insurance rate.

Additional funding of \$384,000 is recommended in the Human Resources program for consultant costs associated with the development and procurement of new employee benefit plans. Approximately \$100,000 is also recommended for the continuation of audit services of the State's claims with its current employee benefit plan provider.

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During FY 2004, the Registry of Motor Vehicles was forced to relocate from its main location in Pawtucket due to damage to the facility resulting from frozen pipes. Costs associated with the Registry's current temporary location, including rent, equipment rental and security costs, require the addition of approximately \$197,000 in the revised budget. Also, the Operator Control unit of the Registry has relocated from Pawtucket to the Pastore Center in Cranston. Funding of \$175,000 is recommended in the revised budget for renovation costs at the new location and moving expenses, offset in part in FY 2005 by the elimination of lease costs for this unit. Finally, additional costs associated with the Digital Licensing program require an increase of \$330,750.

An additional \$503,150 is recommended in the Central Services program for projected increases in utility costs. This funding level assumes a five-percent increase in FY 2005 over actual FY 2004 experience. Also in the Central Services program, an additional \$1.1 million is recommended for two grant programs within the State Energy Office. The first program, Demand Side Management, is financed with grants from utility companies. This program is projected to receive an additional \$237,000 in FY 2005 above the amount included in the enacted budget, for total funding of \$900,000. The second program, Renewable Energy Systems, is financed from a surcharge on electric bills. Funding of \$400,000 was appropriated for this program, with an expectation that carry over funding from FY 2004 would be sufficient to cover cash flow requirements in FY 2005. However, only \$1.75 million of the overall FY 2004 balance of \$3.3 million was authorized for reappropriation. As a result, the revised budget includes an additional \$850,000 to provide total funding of \$3.0 million to satisfy projected cash flow requirements in FY 2005.

The Library and Information Services program received a grant from the Gates Foundation for the development of a public access computer training program for librarians and library patrons. Total funding of \$82,350 will be made available through this grant in FY 2005.

The Governor recommends an increase of \$55,000 in grant funds for the RI Service Alliance, bringing total grant funding for this organization in FY 2005 to \$155,000. The FY 2005-revised budget also includes funding of \$50,000 to allow the Race and Police Community Relations Commission to complete its work this fiscal year.

The FY 2005 enacted budget included an appropriation of \$1.5 million to finance a state match for the Experimental Program to Stimulate Competitive Research (EPSCoR), a National Science Foundation grant program. When several Rhode Island educational institutions, including the University of Rhode Island and Brown University, applied for an EPSCoR grant, it appeared that a state match would be required. This federal program has been modified such that no match is required and therefore, withdrawal of the \$1.5 million is recommended. Unfortunately, the consortium of schools was not awarded a grant this year, but will reapply in the future.

The Governor recommends the creation of a new Chief of Housing and Community Development within the Planning program. This new position will oversee the State's housing and community development efforts in concert with the Housing Resources Commission. Additional funding of \$30,660 is recommended to finance the prorated cost of this position in FY 2005.

Additional funding of approximately \$800,000 is recommended for the retiree health subsidy for retired state employees and teachers. This increase is based upon actual disbursements through November projected for the balance of this fiscal year.

The reduction of \$1.2 million in restricted receipt funding is primarily attributable to a reduction in interest costs on the issuance of Tax Anticipation Notes. The enacted budget included estimated interest earnings, which are used to offset interest costs on the borrowed funds, based on an anticipated issue date of December

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2004. The revised budget projects an issuance in March 2005, which results in lower interest costs and commensurately lower interest earnings.

The increase in other funds of \$1.9 million is primarily the result of carry-over funds in the Rhode Island Capital Plan Fund for various capital projects. In accordance with current law, all unexpended appropriations for RICAP projects are automatically reappropriated in the following fiscal year.

The Governor recommends a total of 1,303.2 FTE positions in FY 2005, an increase of 34.0 FTE positions from the enacted level of 1,269.2 FTE. The majority of this increase is the result of Executive Order 04-06 creating the new Division of Information Technology, which authorized the transfer of all non-union information technology positions in executive branch agencies into this new program. A total of 30.0 FTE positions were transferred from eight separate agencies to the Department of Administration. Two additional positions were transferred from the Departments of Human Services and Mental Health, Retardation and Hospitals, one each, to the new Capital Projects and Property Management program. The Department of Transportation also transferred one authorized FTE to enable the creation of a new Capitol Police Officer position to provide security services to that Department. The cost of this position will be billed to Transportation, but the FTE will be part of the Department of Administration's total workforce. Finally, as mentioned above, the Governor is recommending the creation of a new Chief of Housing and Community Development position, which requires an increase of one FTE.

The Governor recommends total expenditures for FY 2006 of \$534.2 million for the Department of Administration. This includes \$406.5 million in general revenues, \$25.9 million in federal funds, \$10.1 million in restricted receipts, and \$91.7 million in other funds. Overall, this represents an increase of \$2.6 million from the FY 2005-revised budget. General revenue funds decrease by \$9.8 million, federal funds decrease by \$11.6 million, restricted receipts increase by \$0.5 million and other funds increase by \$23.5 million. These changes in funding include an all funds reduction of \$2.7 million in retirement fund contributions for state employees, which are projected as a result of proposed incremental changes in the state's retirement rate contribution, and changes in pension benefits for non-vested and new employees not already included in agency budgets. This is an increase in savings over the FY 2005-revised budget of \$639,183. These savings would be attributable to all agencies, but are budgeted as a discrete item in the Department of Administration, pending approval of legislation. Excluding these pension contribution reductions, general revenue funding in the Department of Administration is decreasing by approximately \$9.4 million, as compared to FY 2005 revised, federal funds decrease by \$11.5 million, restricted receipts increase by \$500,327, and other funds increase by \$22.4 million.

The FY 2006 budget reflects a major reorganization of the Department of Administration, including the creation of several new programs, in accordance with Executive Orders issued by Governor Carcieri in 2004. The first new program, Legal Services, is the consolidation of the various legal units within the Department, including Labor Relations from the Human Services program, legal staff from the Division of Taxation and Adjudication staff from Central Management. The second new program, Facilities Management, involves the consolidation of maintenance functions for various state-owned facilities and primarily consists of staff from the Facilities Maintenance, Energy Office and Environmental Compliance units of the Central Services program. The third new program, Capital Projects and

Property Management, will be responsible for oversight of most major capital projects undertaken by executive branch agencies and for the management of property owned and/or leased by the state. This program is comprised of staff from the State Properties Committee, Building Code and Contractors'

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Registration Board units of the Central Services program. The Capitol Police unit of the Central Services program has been moved, along with the Sheriffs program, to the new Security Services program.

Three other new programs result from a reorganization of the former Office of Library and Information Services program. This program consisted of three subprograms, Information Technology, Statewide Planning, and Library Services. Under the new organization, each of these subprograms has been elevated to a separate and distinct program within the Department of Administration: Information Technology, Planning, and Library and Information Services. In addition, units of the Municipal Affairs program are transferred to other programs within the department. The Municipal Finance unit is moved to the Budgeting program, while the Community Development and Local Government Assistance units are moved to the Planning program.

Finally, the Child Support Enforcement program is transferred back to the Department of Human Services. This program was moved to the Department of Administration several years ago with the goal of combining various “revenue producing” programs under the purview of the Tax Administrator. As the result of issues raised by the federal government regarding the efficiency and effectiveness of the collection efforts by the Child Support program, the Governor believes this program will be able to operate more effectively if merged back into the Department of Human Services.

Although these reorganizations are anticipated to result in more efficient and effective operations over the long-term, the FY 2006 Budget does not include significant reductions or savings attributable to these changes. Primarily, the FY 2006 Budget reflects the transfer of funding and staff from the former programs or units to the new programs, with no significant bottom-line change in funding.

General revenue funded debt service, which is entirely budgeted within the Department of Administration, decreases from \$85.0 million in the revised FY 2005 budget to \$79.0 million in the FY 2006 recommendation. This decrease is the net result of several adjustments. First, there is a shift of an additional \$20.6 million of debt service costs from general revenue funds to the Rhode Island Capital Plan Fund (RICAP), as compared to the revised FY 2005 amount of \$18.8 million. This brings total debt service funded from the RICAP fund to \$39.4 million. Second, an increase of \$5.9 million is budgeted for projected new general obligation bond issuances in both FY 2005 and FY 2006. Third, an additional \$5.9 million is budgeted for debt service on Certificates of Participation issues for the new Kent County Courthouse, the new Department of Children, Youth and Families’ Training School and the new Traffic Tribunal facility. Finally, an increase of \$3.4 million is recommended for Refunding Bond Authority debt, reflecting one-time refunding savings achieved in FY 2005.

The FY 2006 budget includes level funding of most state aid programs for local communities and provides minor increases in other aid categories. The General Revenue Sharing program is recommended at \$53.4 million, an increase of \$1.0 million from FY 2005. The Governor proposes to amend the current General Revenue Sharing statute to fix the distribution level for FY 2006 equal to the amount appropriated, and to fix future distributions at three percent (3.0%) of tax revenues in FY 2007 and thereafter.

The Motor Vehicle Excise Tax Phase-Out program is fully based upon current law at \$105.0 million, an increase of \$12,954 from the FY 2005 budget. The Payment-in-Lieu-of-Taxes (PILOT) program is level funded at \$22.7 million, which will require payments to eligible communities to be ratably reduced to eighty-four percent of the level required under full funding of this program. The Distressed Communities Relief program is funded at the FY 2005 enacted level of \$8.5 million. The Governor proposes to amend current law to permit FY 2006 disbursements under this program to be equal to the

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amount appropriated. In addition, the Governor proposes to eliminate the link between this program and collections from the real estate conveyance tax and video lottery terminal revenues and, to establish that distributions will be based upon annual appropriations.

State Library Aid is fully funded at \$8.4 million to reimburse local libraries for twenty-five percent of FY 2004 expenditures from local appropriations and endowment funds. Library Construction Aid will increase \$110,158 over the FY 2005-revised funding level to fully fund projected FY 2006 payments for current commitments. The Municipal Police and Firemen Incentive Pay programs are level funded at \$1.1 million. Finally, the Property Revaluation program is funded at \$1.0 million to reimburse those communities scheduled to perform revaluations or statistical updates during FY 2005.

The Governor recommends increasing funding for the Property Tax Relief program from \$6.0 million, as required under current law, to \$10.0 million. Also recommended is an expansion in the maximum credit under this program from \$250 to \$500. Claimants under this program are entitled to this rebate equal to the amount by which property taxes or rent constituting property taxes exceeds a certain percentage of the claimants household income. Eligible recipients under this program are homeowners or renters 65 years of age or older, disabled persons and households with incomes of \$30,000 or less. Under current law, claims from those 65 years of age or older and disabled persons are processed first. Once these claims are processed, remaining claimants are paid on a pro-rated basis with any funds remaining out of the total appropriation.

The Governor proposes to continue funding of \$5.0 million for the Neighborhood Opportunities affordable housing program, but recommends that this funding be provided by a financing through the RI Housing Mortgage Finance Corporation, with the State financing the associated debt service costs. This will bring funding for this program since its inception to \$25.0 million.

The Governor is recommending level funding for most of the economic development initiatives included in the FY 2005 budget. This includes \$3.0 million for the Slater Technology Fund, \$200,000 to continue planning efforts for a Marine BioScience Research and Business Park at the Quonset Point/Davisville Industrial Park and \$375,000 for the City and Town Economic Development fund. The Governor is recommending new funding of \$100,000 in FY 2006 for the Economic Development Corporation to establish a Science and Technology Council. This funding will be used by this Council to finance specific initiatives focused on improving the business climate in Rhode Island to promote the science and technology business sector. The Governor is also recommending new funding of \$100,000 within the Division of Taxation in the Department of Administration to finance an assessment of the information technology needs associated with the development of tax policy capacity. The impact of tax policy, from either tax rates or tax incentives, would be evaluated using objective analytics to assure effective use of incentives and a competitive economic climate, which is the cornerstone of growing Rhode Island's economy.

FY 2006 funding for core programs within the Department of Administration is comparable to FY 2005 revised funding levels, adjusted for longevity and other general personnel costs. The FY 2006 budget includes funding for a cost-of-living-adjustment for non-union classified employees of two percent to be effective July 1, 2005, the cost of which is offset in part by an increase in the share of health benefits paid for by these employees.

As in the FY 2005-revised budget, additional funding is required in FY 2006 for the retiree health subsidy for retired state employees and teachers. An increase of \$1.4 million is recommended above the revised FY 2005 funding level, bringing total funding for this program to \$7.8 million.

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The Governor recommends transferring \$2.0 million from the Department of Administration to the Board of Governors for Higher Education. This funding is for the State's share of operating costs at the Shepard's Building, as well as all funding for parking expenses for staff, students and visitors using this facility. This transfer will provide the Board with full operational responsibility for this facility, along with all associated funding.

The significant reduction in federal funding of \$11.6 million is attributable to two main factors. First, the transfer of the Child Support Enforcement program to the Department of Human Services includes the transfer of not only \$3.3 million in general revenue funding, but also \$6.6 million in federal matching funds. Second, funding for the Community Development Block Grant program decreases by \$3.4 million from the FY 2005 revised funding level, which included carry over funds from prior grant periods.

As referenced above, the increase of \$23.5 million in other funds is primarily attributable to the \$20.6 million shift of debt service costs from general revenue to the RICAP fund. In addition, debt service on Transportation and RIPTA general obligation bonds is increasing by \$2.3 million. The balance of the increase is in the Planning program and is attributable to an increase in the percentage allocation of staff and operating costs for this program to other funds.

The budget recommendation includes no new FTE positions for FY 2006 above the positions added in the FY 2005-revised budget. The transfer of the Child Support Enforcement program to the Department of Human Services includes the transfer of 100.8 FTE positions. The Governor recommends FTE position ceilings of 1,303.2 in FY 2005 and 1,202.4 in FY 2006 for the Department of Administration.

Department of Business Regulation

The Governor recommends a revised FY 2005 budget of \$10.6 million, including \$9.8 million in general revenue and \$783,192 in restricted receipts. General revenues decrease \$231,313 from the enacted level, reflecting personnel and operating adjustments for increased vacancy savings, cost of living and fringe benefits increases, and operating increases.

The Governor recommends total expenditures of \$11.0 million for the Department of Business Regulation in FY 2006. This includes \$10.2 million from general revenue and \$808,362 from restricted receipts, and fully finances current operations of the agency. General revenue funds increase \$387,255 from the FY 2005 revised level, for cost of living and fringe benefits adjustments. The Governor recommends a total of 108.0 FTE positions in FY 2006, which is 1.0 FTE position below the FY 2005 level. The reduction will be achieved through the elimination of the position of Associate Director of Racing and Athletics, which is currently vacant.

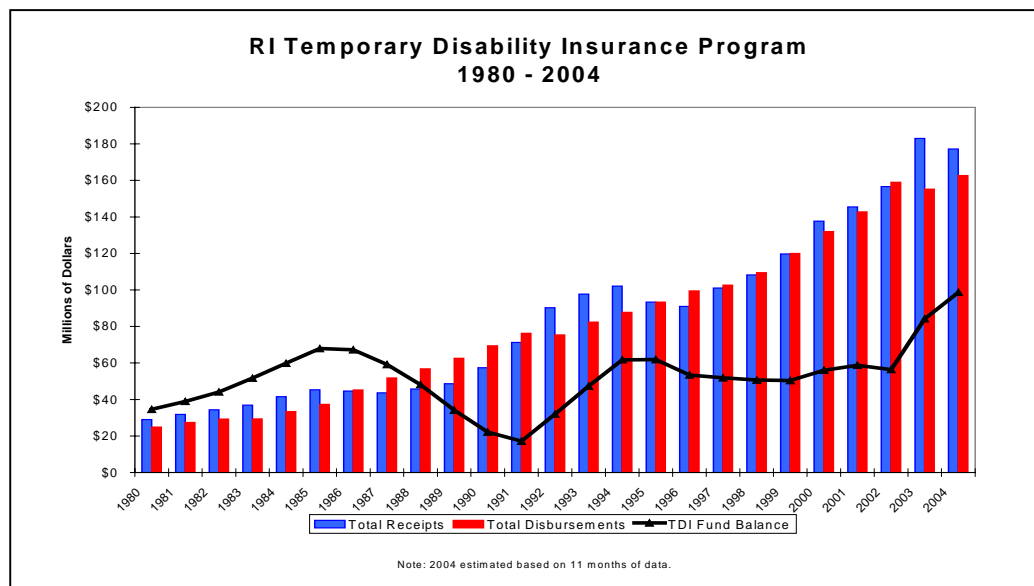
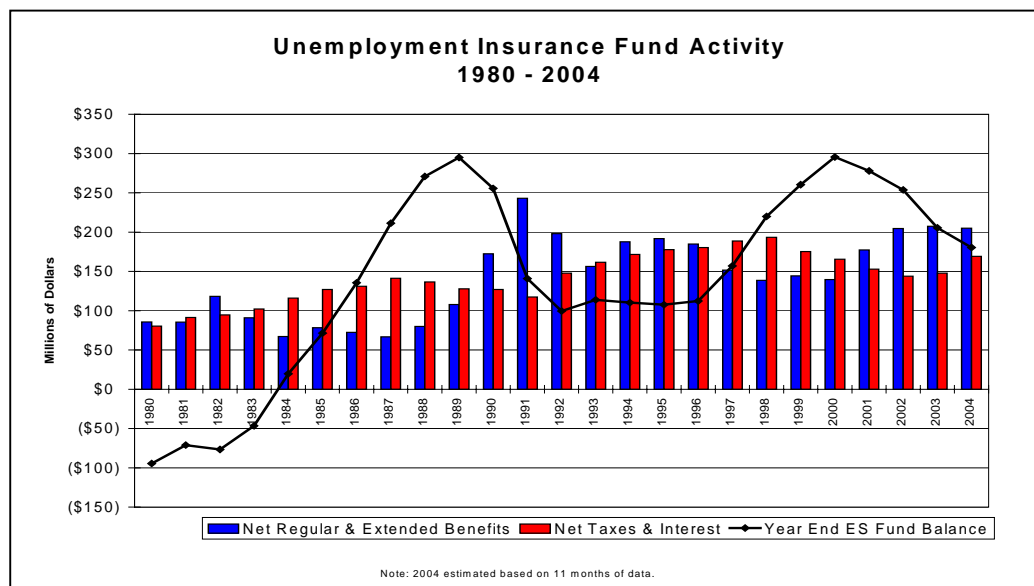
Department of Labor and Training

The Governor recommends expenditures of \$444.1 million in the FY 2005 revised budget, including \$6.9 million in general revenue, \$32.2 million in federal funds, \$25.0 million in restricted receipts, and \$380.0 million in other funds. The revised budget is \$5.0 million less than the enacted budget of \$449.1 million. Most of the decrease is in other funds of \$7.5 million, followed by restricted receipts of \$1.0 million. These increases are partially offset by increases of \$3.4 million in federal funds and \$18,391 in general revenues. The decrease in other fund expenditures is largely associated with lower than anticipated Employment Security Trust Fund payments of \$8.0 million. The reduction in Employment Security Trust Fund payments is partially offset by additional Temporary Disability Insurance Trust Fund payments of \$1.6 million.

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Additional expenditures from federal funds of \$3.4 million are for new discretionary grant awards for workforce development and training programs, and balance forward funding from FY 2004.

By category of expenditure, the FY 2005 revised budget includes reductions of \$3.2 million for grants and benefits, \$1.4 million for personnel, and \$864,588 for operating cost; and an increase of \$560,000 for capital improvements. The decrease in expenditures for grants and benefits is due to Employment Security Trust Fund payments, while the decrease in personnel is due to vacant position savings. The recent fund balance trends for both the Employment Security Trust Fund and the Temporary Disability Insurance (TDI) Trust Fund are shown in the graphs below. It should be noted that Rhode Island's Employment Security Fund is in stable condition relative to other states. At the end of 2004, the Employment Security Trust Fund and TDI Trust Fund had balances of approximately \$180 million and \$100 million, respectively.



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In FY 2006, the Governor recommends expenditures of \$445.3 million, including \$6.8 million in general revenue, \$28.6 million in federal funds, \$20.7 million in restricted receipts, and \$389.3 million in other funds. In the aggregate, FY 2006 expenditures are \$1.2 million higher than the FY 2005 revised budget. The increase is associated with \$9.2 million of other funds expenditures, including \$7.6 million for TDI and \$1.2 million for Employment Security Trust Fund expenditures, which is partially offset by decreases of \$4.3 million of restricted receipts, \$3.6 million of federal funds, and \$170,723 of general revenues.

The \$4.3 million decrease in restricted receipt expenditures in FY 2006 is due primarily to the Adult Literacy expenditures from the Job Development Fund that will no longer be budgeted in the Department of Labor and Training (\$1.65 million), \$1.2 million of one-time computer technology expenditures from Workers' Compensation funds, and \$1.7 million of programmed Job Development Fund monies which will be disbursed after FY 2006. Beginning in FY 2006, the Adult Literacy program will be budgeted in the Department of Education.

The \$3.6 million decrease in federal fund expenditures is largely for Workforce Development Services programs, some of which are financed by one-time grant awards that are ending in FY 2005 or early FY 2006. These include the School-to-Work, WORKS, and Workforce Investment Act (WIA) Technical Assistance programs. Other decreases in Workforce Investment Act expenditures are associated with program reorganization.

General revenue expenditures decrease by \$170,723 in FY 2006. Most of the reduction is associated with the elimination of a \$293,000 legislative grant to the Institute for Labor Studies and Research. Other major changes in general revenue funded expenditures include: a \$100,260 increase for personnel and operating costs; and \$22,000 increase for capital improvements to the Center General Complex.

For FY 2005 and FY 2006, the Governor recommends an FTE authorization of 513.7 FTE positions for the Department of Labor and Training, which is 23.0 FTE positions less than the FY 2005 enacted budget.

Legislature

The FY 2005 revised budget recommendation for the Legislature totals \$30.2 million, including \$29.1 million of general revenue and \$1.1 million of restricted receipts. This reflects an increase of \$55,656 from the enacted level. The recommendation recognizes a general revenue reappropriation from FY 2004 balances of \$3,867,590, as mandated by statute. The Legislature subsequently determined that the full amount of the reappropriation was not required for FY 2005, and recommended that \$2,088,654 of the reappropriation be withdrawn. The revised general revenue recommendation for FY 2005 reflects statewide adjustments for salary and fringe benefits, but does not increase the FTE cap of the Legislature.

The FTE cap is recommended to remain at the enacted level of 280.0 for FY 2005. The Legislature requested nine additional FTE positions for work and oversight responsibilities associated with implementation of separation of powers, which are not included in the recommendation. With respect to Rhode Island Capital Plan appropriations, the Governor recommends the withdrawal of the enacted appropriation of \$1.5 million for a Legislative Office Building.

The FY 2006 budget recommendation for the Legislature totals \$29.2 million, of which \$28.0 million is general revenue, and \$1.3 million is restricted receipts. The general revenue budget for FY 2006 exhibits a decrease of \$1.2 million from FY 2005, primarily due to a decrease of \$2.0 million for grants in the Joint Committee on Legislative Services. This includes a reduction of \$1.8 million of

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reappropriations that are not repeated in FY 2006 and \$250,000 for a one-time grant in FY 2005 for the American Sail Training Institute which will not be repeated. Restricted receipts in FY 2006 increase by \$171,334 from the FY 2005 level, and are comprised mainly of increases in personnel costs. The Governor also recommends 280 FTE positions for FY 2006.

Lieutenant Governor

The Governor recommends general revenue expenditures of \$869,076 for FY 2005. This reflects an increase of \$3,733 from the enacted budget. The Governor recommends \$917,362 for FY 2006, an increase from the revised FY 2005 recommendation of \$48,286. This recommendation fully finances current operations for the Office of Lieutenant Governor. The Governor recommends 10.0 FTE positions in both FY 2005 and FY 2006.

Secretary of State

The FY 2005 revised budget totals \$8.2 million, including \$5.1 million in general revenue, \$2.6 million in federal funds and \$481,587 in restricted receipts. This represents a general revenue increase of \$90,597 from the enacted level. The increase is primarily attributable to costs associated with this year's Primary and General Elections, which is partially offset by savings in personnel. The revised budget for general revenues includes cost increases for legal services, printing, and temporary help associated with the primary and general election cycle and various operating expense categories across the department. Additional increases derive from the FY 2005 reappropriation and from system start-up costs for the on-going Uniform Commercial Code Computerization project in the Corporations division. The project is part of a plan to automate current manual processes and to improve access to public records. The federal funds included in the revised budget for the Help America Vote Act (HAVA) have been reduced from the enacted level of \$2.6 million to a revised level of \$2.5 million. The decrease reflects a revised cost-estimate for the implementation of the Central Voter Registry.

The Governor recommends total expenditures of \$6.3 million in FY 2006, including \$4.8 million of general revenue, \$981,955 of federal funds, and \$485,628 of restricted receipts. The general revenue recommendation represents a decrease of \$332,694 from the FY 2005 recommendation. This primarily reflects cyclical cost savings associated with the Primary and General elections and the printing of the Rhode Island Owner's Manual. The FY 2006 budget includes \$42,000 for the Uniform Commercial Code System upgrade. The recommended budget also reflects a \$25,667 reduction relating to the completion of the last volume of a 13-volume set of the Nathaniel Greene Papers. The Office of the Secretary of State provides grants to private historical societies to preserve Rhode Island historical documents and a total of \$362,173 is recommended for this purpose. The Office of the Secretary of State is also working in concert with the Board of Elections to implement federal election reform legislation, which will include the replacement of some voting equipment, the implementation of provisional balloting, the implementation of a central voter registry, and voter training and education initiatives. As in FY 2005, the FY 2006 budget reflects Federal HAVA funding for the payment of the State's Optical Scan Voting Equipment Lease purchase. This existing equipment meets many of the mandatory requirements under HAVA and will be utilized in concert with new equipment to meet all of the provisions and guidelines under HAVA. The Office of the Secretary of State will utilize the HAVA funds over a multi-year period to satisfy the requirements of the federal legislation. The Governor recommends a total of 59.0 FTE positions in both FY 2005 and FY 2006.

General Government

General Treasurer

The Governor recommends a revised FY 2005 budget of \$34.5 million for the Office of the General Treasurer. This funding is comprised of \$3.6 million in general revenue, \$2.2 million in federal funds, \$20.9 million in restricted receipts, and \$7.7 million in other funds. The revised budget for all funds represents a decrease of \$5.0 million or 12.8 percent. The revised general revenue budget decreases by \$1.4 million from the enacted level, the revised federal funds budget falls \$2.2 million below the enacted level, and the restricted receipts budget declines by \$1.5 million from the enacted FY 2005 budget. The agency's staffing level is at 87.5 FTE positions in the revised FY 2005 budget, the same level as was included in the enacted FY 2005 budget.

The change in general revenue funding reflects the Governor's recommendation for the reappropriation of \$775,258 from FY 2004 to FY 2005 plus supplemental funds of \$24,752 for the Crime Victims Compensation Program (CVCP). These funds, totaling \$800,000, equal the amount that the Governor recommended in the FY 2004 revised budget to finance potential claims associated with the Station Fire. Due to unforeseen delays in receiving and processing Station Fire claims, none of the funds appropriated by the General Assembly for FY 2004 were expended for this purpose. The Office of the General Treasurer requested that the full amount of this appropriation be transferred to FY 2005 and the Governor concurred. In the enacted FY 2005 budget, the Rhode Island Crime Victims Compensation Program was financed from court-ordered payments against convicted individuals, from federal funds, and from an appropriation of \$2.2 million in general revenues, specifically for the compensation of victims of the Station Fire. Due to a lower than expected volume of claims from the victims of the Station Fire, the Office of the General Treasurer has determined that sufficient revenues will be generated from the CVCP's normal sources (i.e., state court receipts and federal grants) to finance this program. Thus, the \$2.2 million FY 2005 general revenue appropriation is not required. In FY 2005, the net change in the general revenue financing of the CVCP is the above noted decrease of \$1.4 million.

The revised FY 2005 budget recommends a decrease in federal financing of \$2.2 million from the enacted FY 2005 level in the Office of the General Treasurer's Crime Victims Compensation Program. The federal grant for this program is equal to 60.0 percent of total state expenditures from restricted receipts and general revenue appropriations. In FY 2004, the CVCP was appropriated \$800,000 of general revenue and \$1,300,000 of restricted receipts for qualified expenses incurred by the victims of the Station Fire. The CVCP did not expend any monies on Station Fire victims in FY 2004 due to delays in the processing of their claim applications. In addition, actual claims applications received are for significantly less money than originally anticipated. The reduction in federal funds is commensurate with both the lower average claim amount and the lower claim volume from the Station Fire victims as well as lower than expected state expenditures on the traditional CVCP.

The revised FY 2005 budget recommends a decrease in restricted receipts of \$1.5 million from the FY 2005 enacted budget. The decrease in restricted receipts is related to the Crime Victims Compensation Program and the Unclaimed Property Program (UPP). In FY 2004, CVCP was appropriated \$2.8 million in court receipts, of which \$1.5 million was for the traditional program and \$1.3 million was for the victims of the Station Fire. As noted above, the CVCP did not award any grants to Station Fire victims in FY 2004 due to delays in the processing of their claim applications and actual claims applications are for significantly less money than originally anticipated. As a result, the Governor recommends a reduction of \$1.0 million in restricted revenues for the CVCP. The UPP's revenue source is the value of property that is abandoned by residents, former residents, and non-residents whose property is controlled by a Rhode Island based institution. Updated revenue projections by the Office of the General Treasurer indicate a decrease in these revenues. As a result, the Governor's revised FY 2005 budget contains \$431,981 less than in the enacted FY 2005 budget.

General Government

The Governor recommends total expenditures of \$27.1 million for the Office of General Treasurer in FY 2006, including \$2.9 million in general revenue, \$1.5 million in federal funds, \$17.2 million in restricted receipts, and \$5.5 million in other funds. The general revenue budget decreases by \$707,307 from revised FY 2005 levels, the federal funds budget falls \$689,485 below the revised FY 2005 level, and the restricted receipts budget declines by \$3.7 million from revised FY 2005. Financing from other funds, which is primarily related to the Employees Retirement System of Rhode Island is budgeted at \$2.2 million less than in the revised FY 2005 budget. The Office of the General Treasurer's staffing level remains at 87.5 full time equivalent employees in FY 2006.

The decrease in general revenue financing is attributable to the fact that the Crime Victims Compensation Program received \$800,000 in general revenues in FY 2005 for the compensation of the victims, both deceased and injured, of the Station Fire. In FY 2006, no general revenue support is needed for this purpose. This reduction of \$800,000 is offset by other increases, primarily for personnel, in expenditures from general revenue sources.

With respect to the federal funds budget, the federal matching grant for the Crime Victim Compensation Program (CVCP) is dependent on the prior state fiscal year expenditures from all state revenue sources.

Of the \$701,271 net reduction, \$1,042,732 is a reduction in the federal grant portion of the Station Fire victims compensation program. This reduction is offset by an increase in the federal grant portion of the State's traditional crime victim compensation program by \$341,461. These changes are consistent with the alterations to the financing of the Station Fire compensation in FY 2005.

The decline in the restricted receipts budget is a result of a decline in revenues to be received by the Unclaimed Property Program (UPP). The completion of the purchase of Fleet Boston Financial (FBF) by Bank of America (BoA) has reduced the revenue generated by the UPP. The reduction is due to the fact that BoA is a North Carolina chartered financial institution and, as a result, the value of the unclaimed property of FBF's non-resident customers will accrue to the State of North Carolina. Previously, the value of this unclaimed property accrued to the State of Rhode Island due to FBF's designation as a Rhode Island chartered financial institution.

The decrease in the other funds budget is due to the reduction in administration expenses for the Employees State Retirement System of Rhode Island (ESRSRI). The lower administration expenses are related to the final implementation of the Anchor System in FY 2005 and the reduced need for management/audit services to achieve this end in FY 2006.

Boards for Design Professionals

For FY 2005, the Governor recommends revised expenditures of \$419,493 general revenue funds for the Boards for Design Professionals. This represents an increase of \$5,564 from the FY 2005 enacted budget. This increase reflects an increase in the cost of property insurance for the agency and statewide changes in medical benefits and retiree health rates.

In FY 2006, the Governor recommends expenditures of \$434,116 in general revenue funds, an increase of \$14,623 or 3.5 percent from the FY 2005 revised budget. The increase reflects Statewide changes in medical benefits, retirement rates, and retiree health rates from FY 2005. The Boards for Design Professionals is a consolidated program consisting of the Board of Registration of Professional Engineers, the Board of Registration for Professional Land Surveyors, the Board of Examination and Registration of Architects, and the Board of Examiners and Landscape Architects. The Governor recommends 4.0 FTE positions in FY 2005 and FY 2006.

General Government

Board of Elections

For FY 2005, the Governor recommends a revised budget of \$2.9 million to finance board operations, local and general elections, and the requirements of the Help America Vote Act (HAVA). The recommended budget for FY 2005 includes 15.0 FTE positions. The operating budget is \$338,368 greater than the FY 2005 enacted budget. General revenues are \$1.6 million in FY 2005, a decrease of \$2,380 from the enacted level. Federal funds total \$1.3 million, an increase of \$340,748 from the enacted budget. The general revenue decrease is largely attributable to turnover savings in the personnel expense category, offset by special local election costs and legal services. The increase in federal expenditures is attributable to personnel costs, legal fees, printing, staff education, rental costs of optical scan machines relating to the Presidential Election, and the purchase of Ballot Security Cases, a High Speed Counter, and new machines for additional precincts.

The total FY 2006 budget recommendation of \$2.5 million finances the operating requirements of the Board of Elections, including \$1.0 million in federal funding relating to election reform and \$1.4 million in general revenues. The operating budget includes full and part-time personnel costs, as well as leased equipment and vendor payments for the optical scan ballot system. A total of 15.0 FTE positions are recommended for the board in FY 2006. General Revenues finance current board operations consistent with a non-election year, while federal funds will be utilized for election related equipment purchases. The Board of Elections is working in concert with the Secretary of State's Office to implement the requirements of the Federal election reform legislation of 2002. The FY 2006 budget reflects Federal HAVA funding for the final payment of the State's Optical Scan Voting Equipment Lease purchase, as well as the operating and maintenance contract for this system. HAVA funds will continue to finance future vendor costs relating to the optical scan ballot system. The existing voting equipment meets many of the mandatory requirements under HAVA, and will be utilized in concert with new equipment to meet all of the provisions and guidelines under HAVA.

Rhode Island Ethics Commission

The Governor recommends a revised FY 2005 budget for the Rhode Island Ethics Commission of \$1,129,593 composed entirely of general revenue expenditures. This is \$40,735 less than the FY 2005 enacted level and relates primarily to delays in filling newly authorized positions.

In FY 2006, the Governor recommends a budget of \$1,207,394, consisting entirely of general revenue. This proposed level of funding is \$77,801 greater than FY 2005 revised levels. This increase consists primarily of payroll and medical and retirement benefit costs associated with the full year annualization of newly authorized positions. The Governor recommends 12.0 FTE positions in FY 2005 and FY 2006. This is three more than the Commission operated with in FY 2004.

Office of the Governor

The Governor recommends general revenue expenditures of \$4.4 million in FY 2005 for the Office of the Governor. This represents an increase of \$51,850 above the enacted budget level and reflects the reappropriation of \$44,467 from FY 2004 to continue office improvements at the Statehouse.

The Governor recommends general revenue expenditures of \$4.5 million for FY 2006, an increase of \$133,370 from the revised budget level. The recommendation supports agency operations, including financing for 47.5 FTE positions in both FY 2005 and FY 2006.

General Government

Public Utilities Commission

For FY 2005, the Governor recommends total expenditures of \$6.121 million for the Public Utilities Commission. This funding is comprised of \$678,534 in general revenue, \$72,490 in federal funds, and \$5.4 million in restricted receipts. The recommendation reflects a net decrease from enacted levels of \$110,750 in all funds and consists of an increase in restricted receipts of \$31,418 offset by decreases in general revenues of \$141,620 and federal funds of \$548. The general revenue reduction reflects the Governor's proposal to reduce one of the two FTEs included in the FY 2005 Appropriations Act for a Deputy Administrator and an Administrative Assistant in lieu of a Legal Counsel, financed from restricted receipts. The Governor's supplemental budget includes also statutory language to eliminate the scheduled addition of two members on the Commission.

For FY 2006, the Governor recommends total expenditures of \$6.4 million, consisting of \$710,111 in general revenue, \$75,437 in federal funds, and \$5.6 million in restricted receipts. This funding level reflects an increase of \$299,548 from the Governor's FY 2005 revised recommendations for all sources of funding, primarily from \$265,024 in restricted utility assessments to finance agency current services including a cost of living adjustment for classified non-union personnel and a shift in payroll costs for one Legal Counsel.

The Governor recommends full time equivalent positions of 46.0 for both FY 2005 and FY 2006. This level is one FTE less than authorized by the FY 2005 Appropriations Act, reflecting the Governor's proposal to reduce the agency's FY 2005 authorized FTE ceiling.

Rhode Island Commission on Women

The Governor recommends a revised FY 2005 budget for the Rhode Island Commission on Women of \$83,876 in general revenue funds. This reflects an increase of \$237 from the FY 2005 enacted level and is composed of rate changes in medical benefits and retiree health rates.

In FY 2006, the Governor recommends a general revenue budget of \$86,557, representing a \$2,681 increase from the revised FY 2005 budget, financing full annual costs for one staff position and associated operating costs. Continued financing is provided for the Women of the Year banquet in FY 2006. The Governor recommends 1.0 FTE position in FY 2005 and FY 2006.

Human Services

Human Services

Summary

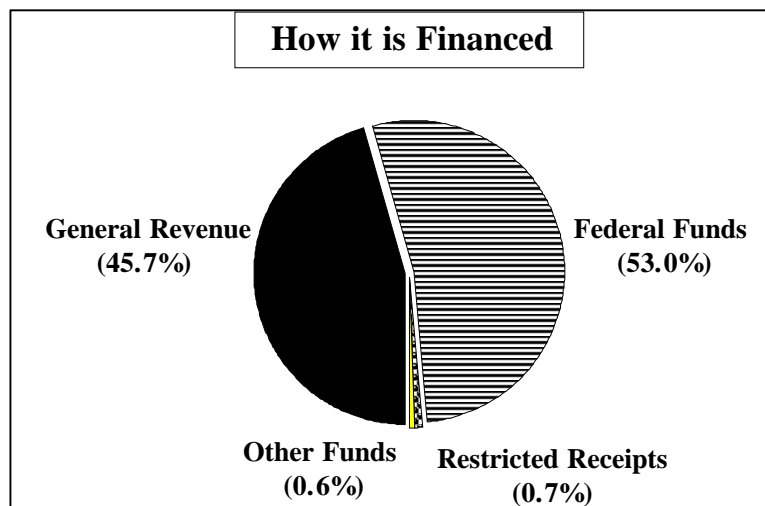
The Human Services function of state government engages in a broad spectrum of activities including, but not limited to, income supports, client subsidies, case management and residential supports, and medical regulation, prevention, treatment, and rehabilitation services.

For FY 2005, the Governor recommends a revised all funds budget of \$2.566 billion. Of this total, \$1.167 billion is general revenue, an increase of \$26.5 million from enacted levels. Net caseload conference adopted estimates required the addition of \$10.6 million general revenues to Department of Humans Services (DHS) accounts. Current services requirements require additions to enacted general revenue appropriations for Children, Youth, and Families (DCYF) of \$9.9 million, and \$7.2 million for the Department of Mental Health, Retardation, and Hospitals (MHRH). Reductions exceeding \$2.1 million for the Department of Elderly Affairs reflect reduced RIPAE costs resulting from implementation of Part D federal Medicare pharmaceutical benefits.

Revised funds totaling \$1.367 billion are recommended for federal grants in FY 2005. This is a \$37.1 million increase from enacted levels, and recognizes federal match on increased caseloads of \$13.7 at Department of Humans Services, \$12.0 million at the Department of Children, Youth, and Families, and \$2.5 million for the Department of Mental Health, Retardation, and Hospitals. Initiatives to implement the federal Part D Medicare pharmaceutical program add \$1.2 to Department of Elderly Affairs. Additions of \$3.1 million are also recommended for the Department of Health, primarily for pharmaceutical programs to combat infections in HIV populations.

Revised funds totaling \$19.5 million are recommended for restricted in FY 2005. This a \$2.2 million increase from enacted levels. At DCYF, this reflects \$607,000 of real estate proceeds dedicated to the Training School, and at Health, the recognition of an additional \$879,000 of federal account indirect cost recoveries replacing current general revenue costs. Other funds increase by \$1.2 million to \$10.9 million, reflecting additions to Rhode Island Capital Plan (RICAP) projects for the Girls Training School and for MHRH hospital and community support facilities.

The Governor's proposed funding level of \$2.689 billion for FY 2006 protects services for the state's most vulnerable populations, including the elderly, children and families, medically needy, mentally ill, developmentally disabled, deaf and hard of hearing, and persons with physical disabilities. The chart below displays funding by source for the Governor's FY 2006 recommendation for the human service agencies and departments.



Human Services

The Human Services departments and agencies continue to leverage their resources so that both individuals and families achieve maximum potential and self-sufficiency. The social and economic needs of clients continue to be met through the services provided by the Departments of: Children, Youth, and Families; Elderly Affairs; Health; Human Services; and Mental Health, Retardation, and Hospitals. The Governor is committed to preventing child abuse and neglect, intervening for and on behalf of abused and neglected children and youths, and rehabilitating delinquent youths through education and training. The dual roles of advocacy and education continues to be provided by agencies including the Commissions on the Deaf and Hard of Hearing, Human Rights, and Disabilities, and the Offices of the Child Advocate and the Mental Health Advocate.

For FY 2006, the Governor recommends total general revenue funding of \$1.425 billion, an increase of \$61.3 million from the FY 2005 revised budget. Of this amount, approximately \$15.1 million is attributable to reduced federal participation for Medicaid benefits due to an annual rate change computed from States' relative personal incomes. General fund changes include increases of \$49.8 million for the Department of Human Services, \$4.7 million for the Department of Mental Health, Retardation and Hospitals, and \$8.0 million for the Department of Children, Youth and Families. The recommendation includes a reduction for the Department of Health of \$2.1 million.

Net changes of \$53.9 million in the Department of Human Services include: revised caseload conference estimates; revisions in the federal Medicaid matching rate, increases in child-care client co-payments, deferral of a scheduled increase in child care provider rates. Accelerated sanctions for clients out of compliance with employment plans would reduce Family Independence Program cash benefit expenditures, as would a requirement to complete a plan before initial receipt of cash benefits. The Governor also recommends continuation of uncompensated care payments to community hospitals; this program expires in current law, and will require a statutory change. Reductions to Medical Benefits expenditures, from the levels adopted by the caseload conference also include: savings from expanded efforts in the areas of claims management, third party recoveries and third party insurance coverage, eligibility reviews, disease and pharmaceutical management and preferred drug lists, admissions reviews, and expanded client co-payments. These items are discussed in greater detail in the Department of Human Services section of this document.

Within the Department of Mental Health, Retardation and Hospitals, the Governor proposes a net increase of \$9.9 million to support the current costs for caseloads in all programs, including \$7.3 million for the Developmental Disability program, plus additions for Rhode Island Capital Plan projects in all programs of \$3.6 million.

The Governor recommends a general revenue increase of approximately \$8.1 million in FY 2006, compared to FY 2005 revised levels, for the Department of Children, Youth and Families. Increases for reduced federal Medicaid matching rates and for caseloads and medical services inflation are required, plus an addition of \$1.2 million to replace expiring federal grant funds for Project Hope, a wraparound reintegration project for incarcerated emotionally disturbed youth.

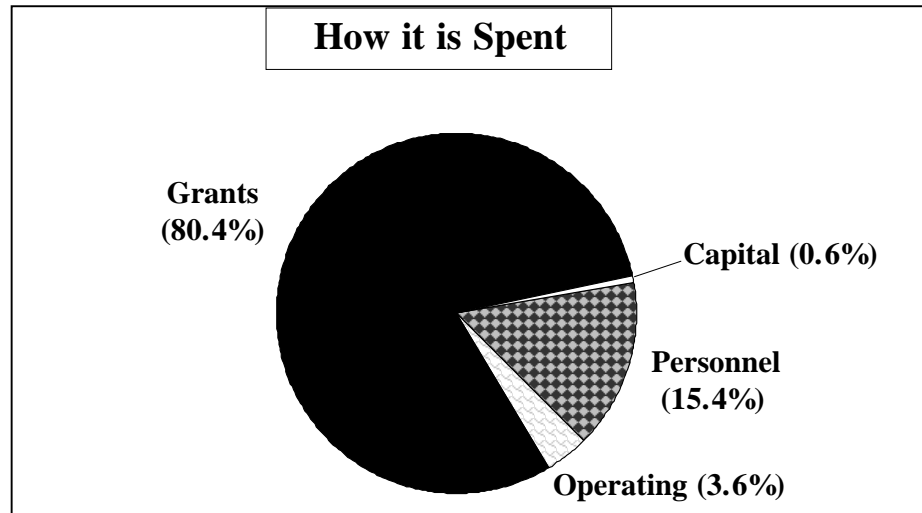
General fund recommendations for the Department of Health decrease by \$2.1 million from revised FY 2005 levels. This primarily reflects elimination of a \$2.3 million distressed community hospital legislative grant program first enacted for FY 2005. The recommendation does include in both years the addition of six FTE positions to enhance regulatory and protective oversight of nursing facilities statewide.

Human Services

The Governor proposes general revenue expenditures for the Department of Elderly Affairs in FY 2006 that are \$753,000 greater than revised FY 2005 levels, primarily for expanding caseloads for the home and community care programs.

The Governor proposes total human services expenditures of \$2.689 billion, consisting of \$1.228 billion in general revenue, \$1.425 billion in federal funds, \$20.0 million in restricted receipts, and \$16.6 million in other funds. The recommendation constitutes 43.0 percent of the total proposed expenditures for the state. Social services block grants and cash and medical assistance programs constitute the major sources of federal funding. The chart below displays the financing sources of the proposed funding human services programs. Whenever feasible, the Governor's plan leverages state resources with federal resources. For FY 2006, the state anticipates distributing \$103.5 million in state and federal resources to hospitals serving low-income persons under the Disproportionate Share Program.

The Governor's FY 2006 proposed level of expenditures includes direct and purchased services for residential care, medical care, and preventive health services, cash payments to individuals, and grant funding for non-governmental agencies. The operating costs associated with the administration of these social services programs are also included. Personnel, which includes purchased services, accounts for \$314.3 million, or 15.4 percent, of all expenditures programmed for human services. Other operating expenditures are recommended at \$98.6 million, or 3.7 percent of proposed total human services expenditures, with capital projects slated for \$15.3 million, or 0.6 percent. Grants and benefits expenditures of \$2.161 billion account for the largest outflow of identified resources, reflecting 80.4 percent of the total human services function. The chart below shows the outflows of all resources by category of expenditure for the human services function.



Human Services

Included in proposed FY 2006 grants and benefits expenditures are: \$1.309 billion for medical assistance payments; \$78.8 million for child care benefits for qualified families; \$245.0 million for services to the developmentally disabled, \$79.2 million for services to the mentally ill, \$12.5 million for the Rhode Island Pharmaceutical Assistance to the Elderly (RIPAE) program, \$67.3 million for cash assistance grants for clients in the Family Independence Program; \$28.5 million in funding for anticipated caseloads in the Supplemental Security Income (SSI) program; and \$3.1 million to assist qualified individuals in the General Public Assistance (GPA) program.

The Governor recommends 4,498.1 full-time equivalent positions in FY 2005, and 4,600.9 in FY 2006. The reassignment of the Child Support Enforcement from the General Government function to Human Services accounts for 100.8 positions in this change.

Human Services

Department of Children, Youth & Families

The Governor recommends total expenditures of \$263.9 million for the revised FY 2005 budget, including \$153.5 million in general revenue, \$107.2 million in federal funds, \$965,281 in other funds, and \$2.2 million in restricted receipts. The Governor's revised budget includes a net increase of \$9.9 million in general revenue expenditures. This represents a 6.9 percent increase over the enacted budget. This is comprised of \$5.3 million in the Children's Behavioral Health Program for increased caseload numbers and per diem rates and the Department's delay in implementation of treatment alternatives included in the FY 2005 enacted budget. These are fully financed in the FY 2005 revised budget. In the Child Welfare Program, an additional \$3.8 million was included for Purchase of Service placements, which increased from 279 placements in the FY 2005 enacted budget to 341 in the revised. Other increases reflected in the FY 2005 budget occur in purchased services, primarily in the Juvenile Corrections Program. The revised budget reflects an addition of \$475,637 for contracted positions through Datalogic. Statewide changes to medical benefits, retirement, and a COLA increase for unclassified, non-union employees comprised of a total increase of \$333,898 in general revenue funds.

The Department has successfully decreased the number of night-to-night placements, which has been an on-going problem for years. The elimination of this problem requires increased costs in other areas of the budget, but the long-term effect is beneficial to the youth of this state. It will also decrease the level of financing needed for legal expenses. The Department has restructured some of its programs into a more community-based system of support. The goal of the restructuring is to deliver children's services in a community setting, giving the youth, guardians, and community the benefit of being included in the rehabilitative process and to facilitate learning of adaptive behaviors.

The Governor recommends total expenditures of \$273.3 million in FY 2006 for the Department of Children, Youth & Families. This is comprised of \$161.6 million in general revenue, \$107.4 million in federal funds, \$2.6 million in other funds, and \$1.6 million in restricted receipts. The recommended FY 2006 general revenue budget increases by \$8.0 million from the revised FY 2005 budget. General revenue costs increase by approximately \$1.1 million to offset a reduction in federal matching funds for Medicaid in FY 2006, compared to FY 2005 rates.

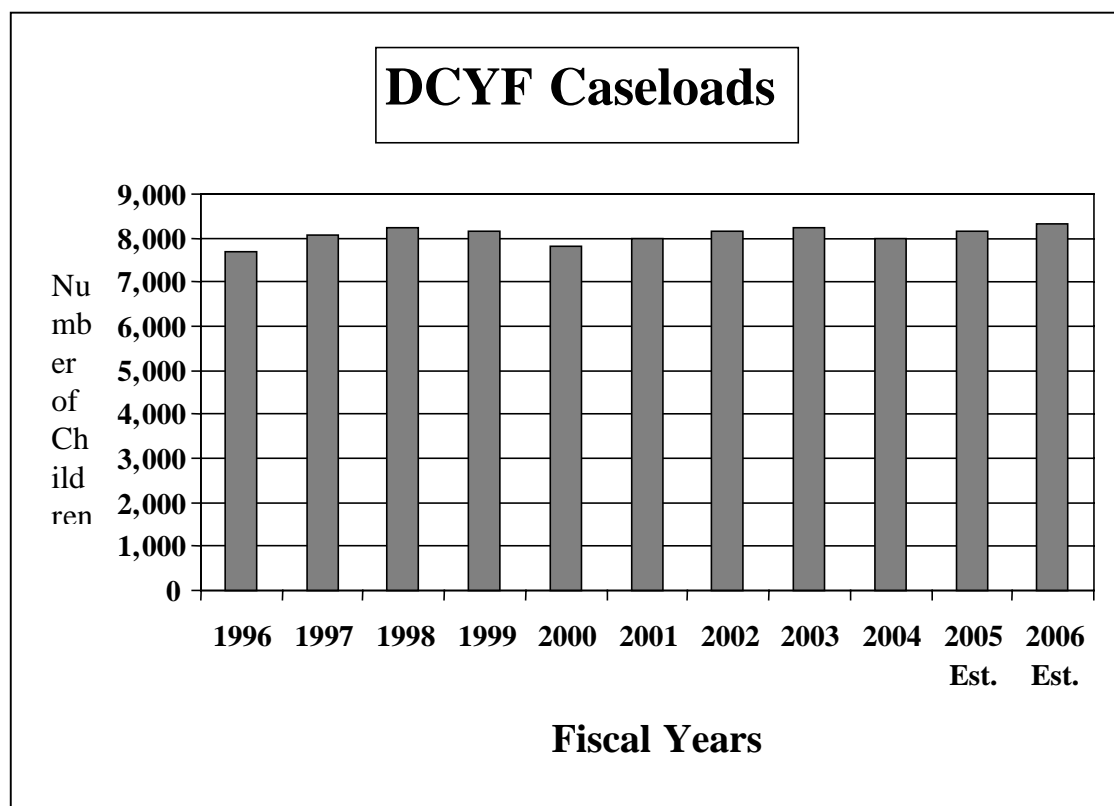
The Governor recommends an addition of \$1.2 million in general revenue funds to the FY 2006 budget to finance the continuation of Project Hope. This program is a program initiative that uses child adolescent values to assist adjudicated, incarcerated youth with serious emotional disturbances at the Rhode Island Training School for Youth to make a successful and safe return to the community. The wraparound services that this program provides includes vocational related costs, including tools and interview clothing. To date, Project Hope has been federally funded. The Project Hope federal grant will expire in September of 2005.

The recommended budget recognizes an increase of \$2.8 in general revenue funds for a three percent purchase of service placement rate increase from FY 2005 levels. This recommendation extends the Department the responsibility for stabilizing placements at an average daily rate of 310 placements. Other increases pertain to inflation and per diem rates in the Children's Behavioral Health Program for psychiatric placements. Statewide changes in FY 2006 include an increase of \$805,864 in general revenue for retirement costs, retiree health costs, and medical benefits. The Governor recommends an FTE position ceilings of 849.8 in FY 2005 and FY 2006. This reflects a decrease of 2 FTE positions due to reallocations to the Department of Administration Information Technology.

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The Governor's Capital Improvement Plan includes a total of \$69.6 million in FY 2006. This amount finances construction of a new 96-bed Youth Development Facility (YDF), which will house adjudicated males, a 48-bed Youth Assessment Facility (YAF), which will house detained males, a girls' correctional facility, and seven community facilities for low-risk adjudicated males. The financing includes \$54.8 million in certificates of participation, \$12.9 million in Rhode Island Capital Plan funds, and \$1.9 million in restricted receipts. This project is intended to replace the existing training school, address overcrowding issues, and comply with a Federal Court consent decree. It will provide both males and females with equitable opportunities to participate in educational, recreational, and rehabilitative programming. The Governor also recommends \$3.5 million of Rhode Island Capital Plan funds to assess and upgrade fire protection systems for group homes, foster homes, and other facilities associated with the Department of Children, Youth & Families.

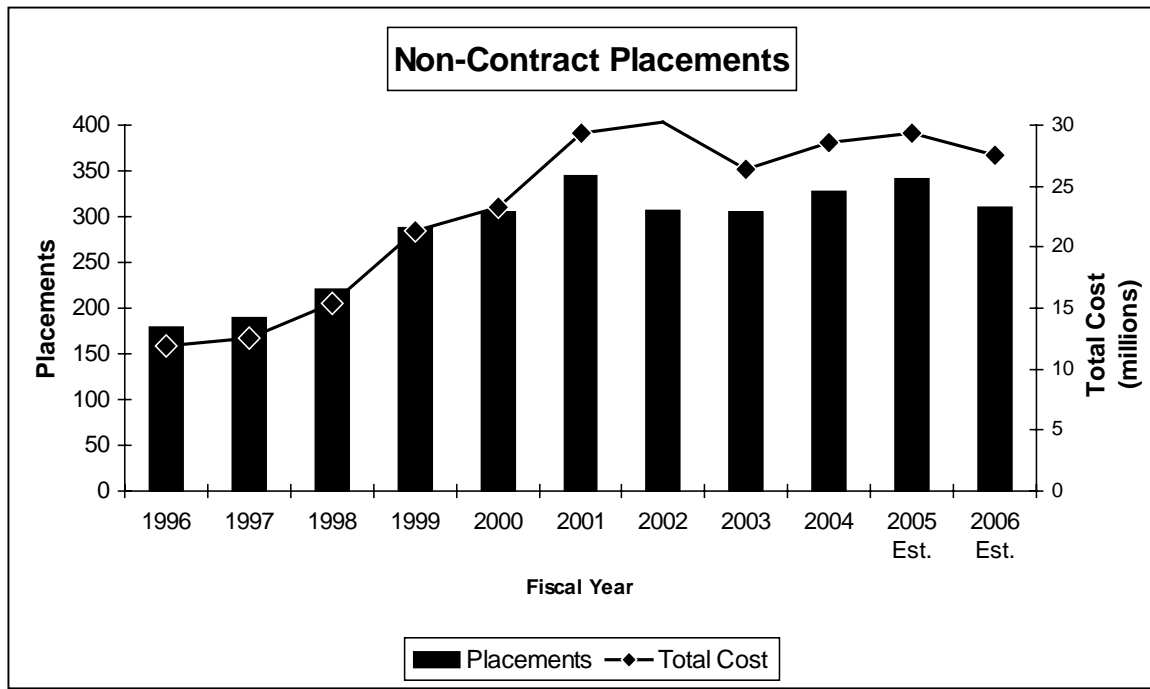
The graph below represents annual departmental caseloads since 1996.



Department caseloads (excluding children that are away without leave) are projected at 8151 in FY 2005 and 8321 in FY 2006, up from 7984 actual cases in FY 2004. The Department is continuing its effort at reviewing the eligibility and duration of children and youth in its caseload. This effort includes analyzing the appropriateness of placements, treatment, and custody. The Department projected that the number of Purchase of Service placements would decrease to 279 in FY 2005; the number of placements peaked at 360. This represents a major portion of the increased funding in the FY 2005 revised budget. However, the Department is working diligently to reduce the number of placements and has managed to average a decrease of one placement per week. These placements are tailored to meet the individual needs of each

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child, and include intensive supervision and emergency placements. The chart below displays the historical utilization data and revised FY 2005 and FY 2006 levels of purchase of service placement, with associated costs.



Department of Elderly Affairs

The Governor recommends a revised budget for FY 2005 for the Department of Elderly Affairs of \$45.9 million. Expenditures are comprised of \$4.8 million in gas tax receipts, \$27.9 million in general revenue, and \$13.3 million in federal funds. This revised funding level is a decrease of \$1.2 million from the FY 2005 enacted budget, including a \$2.1 million decrease in general revenue financing, and an increase of \$888,676 in federal funds. Expenditures derived from gas tax funding remain unchanged from the enacted level.

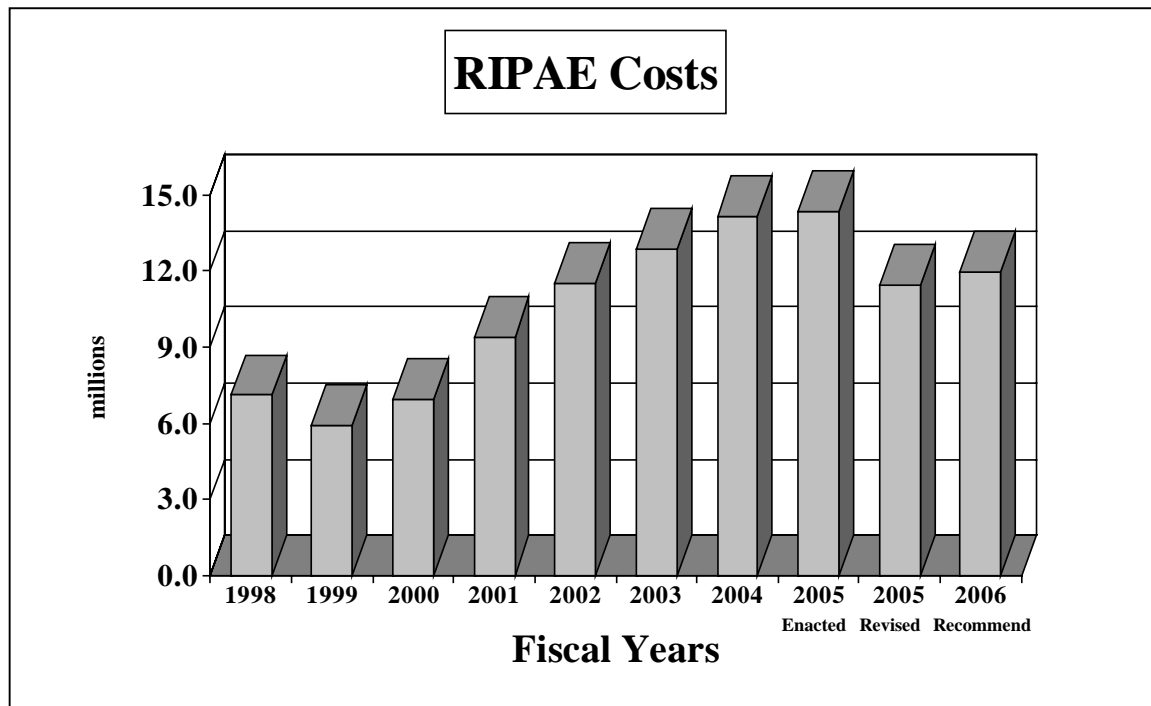
The general revenue decrease in the Governor's FY 2005 revised recommendation is attributable to: a decrease of \$2.9 million in drug costs for the Rhode Island Pharmaceutical Assistance for the Elderly (RIPAE) program, based on utilization trends and from implementation of interim drug card benefits from the federal Medicare Modernization Act of 2003; the addition of \$275,000 for the elderly paratransit program; and addition of \$575,926 for the state's share of the Medicaid waiver program for senior programs at community centers and for home care.

The federal funds increase in the Governor's revised FY 2005 budget includes: addition of \$1.0 million to adjust federal share requirements of various entitlement programs in the department; \$1.2 million for a new grant to assist in instituting Part D of the Medicare Modernization Act of 2003, which will provide a pharmaceutical benefit to all eligible seniors statewide beginning January 1, 2006; and by \$128,141 from a 'one-stop' grant, to implement a broad-range senior service delivery for all Rhode Island seniors. These

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additions are offset by reduction of \$1.4 million to adjust expenditure ceilings to accurate levels, while allowing encumbrance of services in the state fiscal year to coincide with federal fiscal year awards.

General revenue financing for the RIPAE program is provided in FY 2005 in the amount of \$11.4 million, a reduction of 20.0 percent from the enacted level of \$14.3 million, and indicates usage of the interim drug card by eligible seniors in the program, and associated drug cost savings. The following chart illustrates the last several years of drug cost expenditure in the program, including the Governor's FY 2005 and FY 2006 recommendations:



For FY 2006, the Governor recommends total expenditures of \$46.3 million, consisting of \$4.8 million in gas tax receipts, \$28.6 million in general revenue and \$12.8 million in federal funds. The recommended budget is \$334,595, or 7.0 percent, less than the FY 2005 revised budget. General revenue increases by \$753,202 over the FY 2005 revised level, attributable to: addition of \$248,910 for the state's share of the Medicaid home and community care waiver program; \$123,747 in statewide personnel and benefit adjustments; \$92,264 for current service personnel requirements, and; \$631,160 for RIPAE drug cost inflation of 4.4 percent. These additions are offset by reductions of: \$89,984 for rent requirements; \$99,190 for the Core S home care program, the clients of which are now served by other programs; and, elimination of \$146,000 for a one-time senior center legislative grant. Drug costs for the RIPAE program in FY 2006 will resemble the FY 2005 level, due to the continuing interim drug benefit card use through December 2005 and implementation of Part D of the federal Medicare Modernization Act in January 2006.

Federal funds in FY 2006 decrease by \$438,607 from the Governor's FY 2005 revised recommendation, attributable to a reduction of \$657,334 from the FY 2005 level of \$1.2 million for the Part D implementation grant, and reduction of \$48,958 from the health information and counseling grant based on estimated award, offset by addition of \$269,755 to provide the federal share for various Medicaid

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programs. Other funds increase by \$20,000 in the gas tax account for paratransit financing, reflecting anticipated gas tax collections. The Governor recommends FTE position ceilings of 52.0 in both FY 2005 and FY 2006.

Department of Health

The Governor recommends total expenditures of \$110.7 million in the FY 2005 revised budget, including \$112,463 in other funds, \$30.0 million in general revenue, \$68.0 million in federal funds and \$12.7 million in restricted receipts. This represents an increase of \$4.2 million from the FY 2005 enacted budget. General revenue decreases by \$57,246 from the FY 2005 enacted budget. This change includes reductions for a shift of \$230,000 in payroll costs to Indirect Cost Recovery restricted revenues, offset by net increases of \$141,678 for the Governor's Nursing Home Patient Safety Initiative and funding for one FTE in Family Health of \$111,200.

Federal funds increase by \$3.1 million in the FY 2005 revised budget from the enacted level. A majority of this increase relates to pharmacy benefits to combat HIV infections for eligible persons. It also relates to an accounting change for HIV drug rebates that were previously treated as expenditure credit, but are now treated as revenues. Restricted receipt funds increase by \$1.2 million from the enacted level, primarily from increased billings for indirect cost recoveries for the administration of the department's federal grants.

New funding is included in both FY 2005 and FY 2006 to finance six FTE positions to implement the Governor's commitment to expand the tools and resources necessary to effectively regulate nursing facilities throughout the State, and to ensure the health and safety of all facility residents. The positions and funding will be reinforced by proposals for statutory changes to bolster the Department's authority to protect nursing home residents throughout Rhode Island.

For FY 2006, the Governor recommends total expenditures of \$107.4 million for the Department of Health. This includes \$115,076 from other funds, \$27.9 million from general revenue, \$66.8 million from federal funds, and \$12.6 million from restricted receipts. This level of funding is \$3.4 million, or 3.1 percent less than the level recommended by the Governor for FY 2005. This reduced funding level is due primarily to anticipated general revenue cost savings of \$2.1 million and anticipated reduced federal funding of \$1.236 million in FY 2006 for bio-terrorism training and preparedness response.

The net reduction in costs financed by general revenues is due primarily to the Governor's proposal to eliminate funding of \$2.3 million for the Rhode Island Hospital Efficiency, Leverage and Profitability (RI HELP) first included in the FY 2005 Appropriations Act to provide grant assistance to eligible hospitals.

The full time equivalent positions recommended for FY 2005 and FY 2006 are 497.9. This reflects a net increase of 4.7 FTEs from the FY 2005 enacted levels. It consists of an addition of 6.0 FTEs for the Governor's Nursing Home Patient Safety initiative, an adjustment returning 0.7 FTE from the enacted transfer of positions in Early Intervention included in the FY 2005 Appropriations Act, and a transfer of 2.0 Information Technology FTEs to the Division of Information Technology in the Department of Administration, pursuant to the Governor's 04-06 Executive Order.

Human Services

Department of Human Services

The Governor recommends revised appropriations of \$1.668 billion for FY 2005, including \$719.2 million of general revenues, \$944.0 million of federal funds, and \$4.4 million of restricted receipts. This represents an increase of \$30.5 million, on an all funds basis, from the enacted budget. The revised budget for FY 2005 includes an increase of \$11.7 million in general revenue expenditures, an increase of \$18.7 million in federal funds, and an increase of \$61,910 in restricted and other funds. The largest increase is the addition of \$20.0 million for revised Medical Benefit expenditure estimates, adopted by the November 2004 caseload estimating conference (CEC), which includes \$7.4 million in general revenue funds. An additional \$400,000 general revenues is recommended for contractual design costs for initiatives under federal 340-B pharmaceutical regulations proposed to generate savings in Corrections, MHRH and RIPAE programs. Cash assistance grants for FY 2005, pursuant to caseload conference estimates, increase by \$4.1 million from enacted appropriations. Additional federal resources of \$1.1 million from the underexpenditure of prior year TANF and social services block grants, and from a TANF bonus performance awards have been recognized, resulting in a net general revenue addition of \$3.0 million for cash assistance caseloads. The largest components of change in adopted cash assistance caseloads are the addition of \$3.3 million for TANF/FIP grants, \$463,406 for the Supplemental Security Income (SSI) program, and the addition of \$766,675 for child care benefits. Subsequent to adopted conference estimates, recognition of a penalty related to Child Support Enforcement audits reducing TANF awards by \$1.4 million requires reallocation of this amount to general revenue funding. Allocations for federal food stamp benefits are increased by \$2.4 million, to \$75.8 million, also reflecting caseload trends. This entitlement is totally financed from federal sources, and is not included in caseload conference estimates.

The revised FY 2005 budget proposal for general revenues includes the reappropriation of \$50,000 from FY 2004 appropriations for a legislative grant for nursing home dental clinics. Reductions of \$449,132 general revenues are included for savings from initiatives for Medicaid programs claiming, recoveries and expanded People Actively Reaching Independence (PARI) slots, and \$84,757 from FIP benefits from a proposed statutory change requiring adults to complete an employment plan within thirty days of the date of application. All other net changes for operational (non-entitlement) costs from general revenue equal reductions of \$475,320, and represent the recognition of savings from vacant positions, and continuous department efforts to maximize federal cost allocations.

For FY 2006, the Governor recommends total expenditures of \$1.771 billion for the Department of Human Services. This total includes \$768.9 million from general revenue, \$996.1 million from federal funds, \$385,000 from Rhode Island Capital Plan funds, and \$5.6 million from restricted receipts. The agency budget continues to finance: cash and medical assistance programs at caseload conference consensus values; training and support services for family assistance programs; continued services to veterans, the blind and visually impaired, and other assisted populations. Seventy-four percent of the agency's expenditures are for medical benefits payments.

The Governor's budget recommendations for both FY 2005 and FY 2006 include full funding for the operation of the Rhode Island Veterans' Home and the Rhode Island Veterans' Cemetery, including \$2.1 million for capital improvements in FY 2005, and \$1.9 million in FY 2006.

In FY 2006, current payment standards are maintained for clients receiving cash payments under the Family Independence Program. After reaching a peak caseload of 64,000 persons in 1994, the number of

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persons receiving cash assistance continues to decline. The November 2004 consensus caseload conference estimated that 37,700 persons would receive Family Independence Program cash assistance in FY 2005, a 6.5 percent decline from FY 2004 experience, declining to 34,850 persons in FY 2006, a reduction of an additional 7.6 percent. This decline reflects the goal of supporting families and placing clients into unsubsidized employment. Correspondingly, continuing investments are required in childcare, medical assistance, education, and training and employment programs. Consensus caseload conference estimates project 13,415 subsidized childcare slots in FY 2005, a decrease of 1.4 percent from FY 2004 actual experience, and 13,350 slots in FY 2006, an additional decrease of 0.5 percent.

Revised consensus caseload conference estimates for cash assistance payments in FY 2006 decreased by \$4.8 million compared to adopted FY 2005 levels. This reflects savings of \$5.5 million from the reduction in FIP caseloads and \$377,060 from the reduction in child care slots, offset by increased SSI estimates of \$754,432 million and increased estimates for General Public Assistance of \$189,108.

The Governor's recommended FY 2006 Budget includes statutory revisions and reductions in general revenue funds of \$1.4 million from increasing child care client co-payments, and \$738,000 from deferring a scheduled provider rate increase from January 1, 2006 to July 1, 2006. Statutory revisions proposed to the Family Independence Program would reduce general revenue cash assistance costs by \$1.1 million by advancing sanctions against continued benefits to families with parents in non-compliance with employment plans from 24 to twelve months, and by requiring completion of an employment plan before establishing initial FIP eligibility payments, saving \$1.0 million.

The Supplemental Security Income (SSI) caseload historically has increased on a continuous basis. The adopted caseload conference estimates are 30,390 recipients in FY 2005, and 31,000 in FY 2006, compared to actual cases of 29,645 in FY 2004. The 2.0 percent growth rate results from a continued growth in the disabled component and a slight decline in the state's elderly population. The General Public Assistance Bridge Program will be maintained in FY 2006, providing limited cash assistance to eligible persons and a medical program of restricted scope. The caseload conference estimate is 406 persons in FY 2005 and 415 persons in FY 2006.

Medical assistance programs are maintained in FY 2006. Exclusive of uncompensated care distributions, the November CEC adopted medical benefits for FY 2006 at a level \$114.5 million greater than for FY 2005, including \$63.2 million in general revenue funds. Approximately \$10.8 million of the difference in general revenue funds recognizes the revision of federal Medicaid matching rates compared to FY 2005, and annual adjustment dependent on relative income comparisons. The Governor recommends Medical Benefits appropriations, as adopted by the Caseload Estimating Conference, with the following revisions necessary to manage the growth in state costs:

- Reinstating uncompensated care payments to state and community hospitals as per current practice, requiring the addition of \$86.1 million, including \$39.2 million in general revenues. The current authorizing statutes expire annually; the conference did not adopt FY 2006 estimates. This item requires a statutory change, and is included as an article to the recommended Budget. The proposed plan and statute recognize a reduction in total federal uncompensated care grants of \$3.5 million. Changes in the allowable federal ceiling for reimbursements to Slater Hospital at MHRH is a reduction of \$10.0 million compared to FY 2005 enacted levels. This level of reimbursement maximizes the use of federal uncompensated care ceilings at a level that allows payments to community hospitals at \$87.9 million, an increase of \$5.5 million from FY 2005 payments.

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- Savings of \$1.2 million, including \$500,000 in general revenues, from enhanced capacity to perform cost avoidance and third party reviews of Medicaid fee-for-service pharmaceuticals.
- Savings estimated at \$2.0 million, including \$898,896 from revising reimbursement schedules for certain diagnoses for Rite Care clients in order to avoid more expensive emergency room care rates.
- Net savings of \$222,325 from phased conversion of children in the Rite Care program to managed dental care.
- Savings of \$1.9 million, including \$886,022 in general revenue, primarily from a set of adjustments to recovery procedures from estates of persons accessing Medicaid coverage. This initiative includes the addition of one FTE position in FY 2006.
- A decrease of \$775,599, including \$370,839 general revenue, requiring a regulatory change, from increased post-admission screening of nursing home residents for their suitability of placement. This initiative requires the addition of one FTE position in FY 2006.
- Savings of \$4.7 million, including \$2.1 million general revenues, from a supplemental drug rebate for fee-for-service Medicaid clients.
- Savings of \$726,560, including \$325,000 general revenues, from establishing Medicaid co-payments for families of children with disabilities currently exempt from family income standards for cost sharing.
- Savings of \$895,725, including \$429,948 general revenues, from expanding the number of waiver slots in the People Actively Reaching Independence program, enhancing client-directed services to adults with physical disabilities.
- Savings of \$1.7 million, including \$770,000 general revenues, from generating federal 340-B savings on ingredient costs for pharmaceutical supports to clients with serious and persistent mental illness.
- General revenue savings of \$1.2 million from a series of requirements to transform subsidies for health care benefits to family child care providers from state-only to managed care and co-share models maximizing federal participation. This initiative also increases the child care income threshold and limits provider eligibility to no more than 350 percent of the federal poverty level.
- Savings of \$470,000, including \$212,000 general revenues, from designing protocols to eliminate waste in pharmaceuticals for State Medicaid clients in nursing facilities.
- Cost shifts saving \$898,000 general revenues for using improved non-citizen identification systems to generate federal reimbursements for current state-only Rite Care children.
- Savings of \$1.8 million, including \$808,243 general revenues, from transitioning all eligible Rite Care clients to any available employer-sponsored health insurance coverage.
- Gross savings of \$71,000 from accessing and financing any COBRA residual health insurance coverage for clients entering Medicaid eligibility.
- Cost shifts saving \$441,000 general revenues from accessing federal payments for Medicare part B coverage premiums currently paid from State sources.

Basic medical services, provided through the Rhode Island Medical Assistance Program, will continue for: families receiving SSI benefits; children in foster care; Medicare beneficiaries having limited income and resources; pregnant women, parents and children with low incomes including mothers and children denied federal assistance due to their immigration status; and, persons meeting the criteria for the Categorically Needy Program. An inflation adjustment for nursing home reimbursements for eligible clients is included in the recommendation, pending an actual value from the National Nursing Price Index in May 2005. Rhode Island's Medical Assistance Program will continue to provide services in all

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mandatory categories, as well as optional categories including dental, optometry, hospice, podiatry, ambulance and prescription services.

The Governor's proposed FY 2006 budget increases general revenue support for Veterans' Affairs by \$1.1 million from FY 2005 revised levels, reflecting employee benefit rates and current staffing and operational levels at the Veterans' Home. Legislative grant appropriations are reduced by \$425,000.

Beginning in FY 2006, the Governor proposes to relocate to Department appropriations the program Child Support Enforcement currently appropriated with the Department of Administration, reflected in the addition of \$3.5 million and 100.8 FTE positions. In the Health Care Quality Program, \$300,000 in general revenues is included to replace expired federal HRSA funding for continuing studies on health care costs, employer health care trends, health care access, and health care implementation strategies. All other non-entitlement programs in the department increase by \$2.8 million, reflecting current service operating costs and employee compensation rates, plus staff additions for the Nursing Home and Medicaid recoveries initiatives requiring \$96,000.

Recommended federal funds increase by \$52.1 million in FY 2006, compared to FY 2005 recommendations. This amount includes: recognition of a new Substance Abuse Grant for \$1.5 million in Central Management; additions of \$1.1 million in Individual and Family Support, primarily for disability programs; reassignment of Child Support Enforcement to the Department includes \$7.0 million federal funds; additions of \$739,000 for Veterans' capital projects; a reduction of \$786,000 in Health Care Quality, reflecting expiration of the HRSA planning grant noted above; additions of \$39.9 million for Medicaid benefits programs; and, addition of \$2.7 million to the annual estimate for federal food stamp benefits recorded in State allocations.

Restricted fund allocations increase by \$1.2 million from FY 2005 to FY 2006 recommendations. Most of this amount is in the dedicated capital projects account for the Veterans' Home. One Rhode Island Capital Plan project accounts for all of other funds, and all change from FY 2005, with \$385,000 recommended for parking and stairway asset protection improvements at the Forand Building at the Pastore Center. The recommended FTE ceiling is 1,069.6 for FY 2005 and 1,172.4 for FY 2006.

Department of Mental Health, Retardation and Hospitals

The Governor recommends total FY 2005 expenditures of \$474.0 million for the Department of Mental Health, Retardation and Hospitals, including \$233.6 million of general revenue, \$235.5 million in federal funds, \$4.8 million in other funds and \$100,000 in restricted receipts. General Revenue funds increase by \$7.2 million from the enacted level, and include the reappropriation of FY 2004 funds related to the Piravano Trust in the amount of \$17,108. The general revenue supplemental budget includes additions of: \$1.9 million for utility related expenditures for the Pastore Center Campus, \$3.1 million for grant based services in Developmental Disabilities', \$0.9 million for additional Medicaid eligible services in the Division of Integrated Mental Health, \$637,934 for CMAP Pharmaceutical costs, \$411,967 for medical benefit and cost of living adjustments for non-union employees and \$171,600 for Substance Abuse detoxification services.

The Pastore Center utility costs are increasing by \$1.9 million for several reasons. The most significant change relates to the cost of the fuel to operate the Power Plant. A total of \$2.0 million is required for increases in the price of Oil and Natural Gas. The revised FY 2005 budget also reflects an addition of \$538,856 for purchased electricity costs. The increase for electricity is attributable to two main factors,

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first, that two turbines were off-line for the first five months of the fiscal year, and second, that it is economically efficient to purchase some electricity from the grid rather than producing 100 percent of the campus demand within the Power Plant. The department is in the final stages of a major renovation of the Central Power Plant, financed by Certificates of Participation. The project was completed in January, 2004, at which time the Pastore Center Campus realized a reliable long-term source of steam and electricity to operate the campus. The portion of the project which has yet to be completed relates to the re-location of utility lines and the removal of contaminated soil adjacent to the Power Plant. The newly renovated plant will be operated and maintained by a private contractor at an annual cost of \$1.8 million.

The increase in Mental Health Services relates to an increase in demand for services during FY 2004, and a projection that the growth will continue in FY 2005. A significant portion of the increase relates to outpatient services provided through the Community Mental Health Centers by Mobile Treatment Teams (MTT's). The MTT's are staffed by Mental Health Professionals and serve clients in a community setting, frequently in an individual's home or residence. The service is designed to deliver services quickly to an individual in need such that a crisis situation or a psychiatric hospitalization can be averted. In-patient psychiatric hospitalization costs are also increasing, however this increase primarily reflects a contractual obligation as opposed to a caseload expansion.

In the RICLAS system, the department continues to experience significant overtime costs as a result of a significant number of vacancies. The revised FY 2005 budget reflects an increase of \$497,459 in general revenues for RICLAS personnel and overtime costs.

The increase for pharmaceutical costs for the CMAP (Community Medication Assistance Program) reflects pricing increases for the particular types of medications utilized by this population. The bulk of the costs of this program relate to the purchase of atypical anti-psychotic medications. The cost for these types of medications are anticipated to grow by 7.5% during FY 2005 relative to FY 2004.

The revised FY 2005 budget reflects changes relating to medical benefit costs and retiree health costs for state employees. These costs are in addition to a cost of living adjustment for non-union employees. The non-union employees are now required to contribute toward their health insurance coverage. These adjustments together total approximately \$485,000. Finally, the Governor recommends the addition of \$171,600 for Substance Abuse detoxification services. The enacted budget had included a proposal to finance a portion of these services with Medicaid funds. This plan was ultimately not successful and therefore required the restoration of funds to maintain the current level of services.

The Governor's FY 2006 recommendation totals \$487.4 million, including \$238.3 million of general revenues, \$240.6 million of federal funds, \$8.4 million of Rhode Island Capital Plan Funds and \$100,000 of restricted receipts. The general revenue portion of the budget reflects an increase of approximately \$4.7 million, or 2.0 percent, from the FY 2005 revised level. The changes, by program, are described below.

Within Central Management, the general revenue increase of \$325,350, from FY 2005 to FY 2006 relates, almost exclusively, to reducing the required level of turnover expectancy and statewide adjustments to salary and fringe benefits classifications, including the non-union cola and medical co-pay requirements.

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Within the program of Hospital and Community System Support, the Governor recommends a general revenue reduction of \$1,124,500. The reduction is primarily attributable to three categories of expenditure, Oil, Natural Gas and Electricity. The reductions for oil and natural gas represent reductions in anticipated pricing, given the unusually high prices experienced during the Fall of 2004. The reduction in electricity costs relates to one-time costs incurred in FY 2005 to bring newly renovated turbines on-line, which will not be repeated in FY 2006. The Governor recommends an increase of \$2.7 million in RICAP funds for this program. The increase primarily relates to upgrading fire alarm systems to meet the new fire code requirements in State-owned group homes and in buildings located on the Pastore center.

Within the Developmental Disability program, the Governor recommends a general revenue increase of \$3,326,134. While approximately \$450,000 of this increase is attributable to personnel adjustments, the bulk of the increase relates to grant based services for Developmentally Disabled adults. The changes from FY 2005 to FY 2006 include an increase of \$2.7 million to serve new clients and to annualize services initiated in FY 2005, an increase of \$1.5 million relating to a change in the Federal Matching rate, and savings of \$1.4 million from utilizing Medicaid funds for services previously funded exclusively with general revenues. While the general revenue recommendation includes \$2.7 million of growth, it does reflect restrained growth of an estimated \$1.0 million in caseload and service adjustment funding. The Governor recommends an increase of \$3.9 million in Federal funds, reflecting Medicaid match requirements on the general revenue increase and an increase of \$785,410 in RICAP funds for group home and regional center repairs.

Within the Division of Developmental Disabilities, the department is continuing to pursue the CHOICES initiative. The initiative establishes individualized plans so that clients can exercise some freedom of choice in the location and type of supports which they will receive. The project is a collaboration with the Department of Human Services, and requires significant modifications to the state's Medicaid Management Information System.

Within the Division of Mental Health Services, the Governor recommends a general revenue increase of \$384,040 from FY 2005 to FY 2006. Approximately \$360,000 in savings are attributable to a proposal to obtain a 340B pricing structure for Pharmaceuticals in the Community Medication Assistance Program (CMAP). The Governor recommends savings of \$262,599 relating to the elimination of supported employment programs. These reductions and savings are offset by additions for current service requirements for In-patient psychiatric hospital services and Medicaid services representing additions of \$306,230 and \$575,726 respectively. The Governor recommends an increase of \$445,020 in Federal funds, from FY 2005 to FY 2006 for Mental Health services. The increase is primarily attributable to Medicaid match requirements. As part of a plan to integrate MHRH service systems in order to better serve clients with co-occurring disorders of Substance Abuse and Mental Health, the department is continuing to work toward a consolidated Behavioral Health Care Program. This program will help shape the future delivery of services to insure that clients with both mental health and substance abuse issues are diagnosed and treated appropriately.

Within the Eleanor Slater Hospital, the Governor recommends an increase of \$1.7 million. The increase is primarily attributable to the change in the Federal Matching Assistance Percentage rate (FMAP) and statewide adjustments for salaries, fringe benefits and medical benefits. The operating budget for the Hospital also includes inflationary growth on the purchase of pharmaceuticals. While savings on pharmaceutical costs are anticipated for the CMAP program, through the development of a 340B

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application, this program cannot be utilized for the pharmaceutical costs within the hospital, given the nature of the facility and existing federal requirements for eligibility under the 340B program. Also reflected in the operating budget of the Hospital is an increase in the Hospital licensing tax, from the current rate of 3.14% to 3.45%. This change in the tax rate adds a total of \$185,613 in general revenues. Federal funds increase by \$901,046 for this program and reflect Medicaid match requirements predicated upon the general revenue recommendation.

Within the Eleanor Slater Hospital, compliance with the Joint Commission on Accreditation of Healthcare Organizations (JCAHO), Medicare, Medicaid, and Department of Health requirements continue to be major priorities. The Eleanor Slater Hospital is surveyed by JCAHO every three years, with the most recent survey occurring in December of 2002. The Hospital scored 97 of a possible 100 points, and had no Type 1 deficiencies.

Within the Division of Substance Abuse, the Governor recommends an increase of \$85,142 general revenues from FY 2005 to FY 2006. The recommendation does reflect increases for statewide personnel adjustments and \$182,417 to meet the current service requirements for Medicaid funded services. However, these increases are partially offset by a reduction in grant based funding. The reduction would reallocate \$112,000 of costs from general revenues to federal funding sources for prevention services. These services would now be supported on the State Incentive Grant. Other funds for the division increase by \$95,628, and reflect RICAP funds for asset protection of state owned substance abuse facilities. Federal funds decrease by \$146,095 from FY 2005 to FY 2006, largely attributable to a reduction in the allocation for the Substance Abuse Block Grant.

The recommendation of the Governor provides for 1992.7 FTE positions for both FY 2005 and FY 2006. The variance from the FY 2005 enacted level to the recommended level for both years is attributable to the transfer of five Information Technology related positions and one Capital Projects manager position to the Department of Administration. The remaining reduction is related to an Executive Director position, which is no longer required due to a retirement.

Campus-wide utility upgrades and facility repairs are continuing. Funding for such projects is accomplished from a combination of sources including general revenue, Rhode Island Capital Plan Funds and Certificates of Participation. Meeting the requirements of the new Fire Code has become a significant priority within the department's capital budget, both for buildings on the Pastore and Zambarano campuses and group homes in community settings. With respect to Rhode Island Capital Plan funds, the Governor recommends total expenditures of \$6.6 million. This level of funding will allow the department to continue repairs on the Pastore Center Campus to buildings, utility systems and water systems, and to begin compliance with the new fire code. RICAP funding is also available to develop new residential opportunities for individuals with developmental disabilities, and for repairs to Group Homes. This source of funding will continue to replace bond funds, which had historically been utilized for these activities.

Office of the Child Advocate

The Governor recommends total expenditures of \$430,450 for FY 2005. This consists of \$394,960 in general revenue, \$34,172 in federal funds, and \$1,318 in restricted receipts. The revised funding level is \$124,890 less than the enacted level. This reflects an increase of Rhode Island Foundation restricted grant funds of \$1,318, a decrease of \$20,000 in available federal funds, and a decrease of \$106,208 in general revenues for net personnel and operating adjustments for three vacancies and midyear relocation costs.

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For FY 2006, the Governor recommends total expenditures of \$542,128 including \$494,068 in general revenue and \$48,060 in federal funds. The Governor's recommendations fully fund the Office in both fiscal years. The Governor recommends 5.8 FTE positions for the Office of the Child Advocate in FY 2005 and FY 2006.

Commission on the Deaf and Hard of Hearing

The Governor recommends total financing of \$324,876 in FY 2005, including \$279,540 in general revenue and \$45,336 in federal funds, to finance the Commission's personnel, operating and interpreter referral services. The general revenue financing is \$7,342, or 2.7 percent greater than the FY 2005 enacted amount of \$272,198. First time federal financing of \$45,336 is provided by agreement between the Commission and the Emergency Management Agency to implement an emergency interpreter referral service during non-business hours of the Commission.

The Governor recommends total expenditures of \$332,942 in FY 2006 to finance current personnel and operating costs of the Commission, including \$287,606 in general revenue and \$45,336 in federal funds. The Governor recommends 3.0 FTE positions in both fiscal years.

Rhode Island Developmental Disabilities Council

The Governor recommends revised FY 2005 expenditures of \$510,313, consisting entirely of federal funds. This recommendation is \$60,198 or 10.6 percent less than the agency's FY 2005 enacted budget and consists primarily of a decrease in programmed expenditures for Service Learning Opportunities that reflect FY 2004 current service costs.

For FY 2006, the Governor recommends total expenditures of \$511,924 consisting entirely of federal funds. This proposed level of funding is \$1,611, or 0.3 percent, greater than the FY 2005 revised recommendation. This negligible increase above the FY 2005 revised budget reflects statewide current service cost adjustments for employee benefits. The Governor's FTE ceiling recommendation is unchanged at 2.0 from the FY 2005 enacted ceiling for FY 2005 and FY 2006.

Governor's Commission on Disabilities

The Governor recommends revised expenditures of \$940,467 for FY 2005. This consists of \$508,483 in general revenue, \$153,349 in federal funds, \$217,000 in Rhode Island Capital Plan funds, and \$61,635 in restricted receipts. The revised funding level is \$8,772 less than the FY 2005 enacted level, and consists of a general revenue decrease of \$25,382, a federal fund decrease of \$26,859, a restricted receipt increase of \$26,469, and a \$17,000 increase in Rhode Island Capital Plan funds. The decrease in general revenue reflects reallocation of one FTE position to a lower classification, with a portion of the personnel expenses transferred to restricted receipts.

The Governor recommends total expenditures of \$1.0 million FY 2006, including \$531,409 in general revenue funds, \$116,928 in federal funds, \$63,605 in restricted receipts, and \$300,000 in Rhode Island Capital Plan funds. The recommended general revenue funding in FY 2006 is \$22,926 greater than FY 2005 revised levels due to statewide changes in medical benefits, retirement, and retiree health benefits. The recommended FTE ceiling for FY 2005 is unchanged from the FY 2005 revised level of 6.6.

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Rhode Island Commission for Human Rights

The Governor's revised FY 2005 budget totals \$1.2 million and consists of \$989,299 in general revenue and \$213,808 in federal funds. This revised level of funding is \$20,637, or 1.7 percent, less than the level enacted by the Legislature. It consists of an increase in general revenue of \$4,855 and a decrease of \$25,492 in federal funds. The general revenue increase reflects statewide current service adjustments for employee benefits, while the decrease in federal funds expenditures reflects available federal resources for FY 2005 activity levels.

For FY 2006, the Governor recommends total expenditures of \$1.249 million, which is comprised of \$979,397 in general revenue and \$269,705 in federal funds. This level of funding is \$45,995, or 3.8 percent, greater than the FY 2005 revised funding recommendation. The general revenue decrease of \$9,902 from FY 2005 revised levels reflects the one-time nature of the replacements for shortfalls in federal funds in FY 2005 that are no longer necessary. The increase in federal grants reflects the available share financing agency current services after elimination of general fund receivables from prior year federal expenditures. The Governor recommends full time equivalent positions ceiling of 15.0 for FY 2004 and FY 2005, unchanged from FY 2005 enacted ceilings.

Office of the Mental Health Advocate

The Governor recommends total FY 2005 general revenue expenditures of \$335,157, reflecting an increase of \$3,489 from the enacted level. The net addition is attributable to approximately \$2,000 in increased personnel costs for step and longevity adjustments and approximately \$1,500 for changes in medical and retiree health benefit costs. The recommendation finances the operation of this office at the current services level.

The Governor recommends total FY 2006 general revenue expenditures of \$351,329, reflecting full funding for agency current services. The Governor recommends a total of 3.7 FTE positions for this agency for FY 2005 and FY 2006.

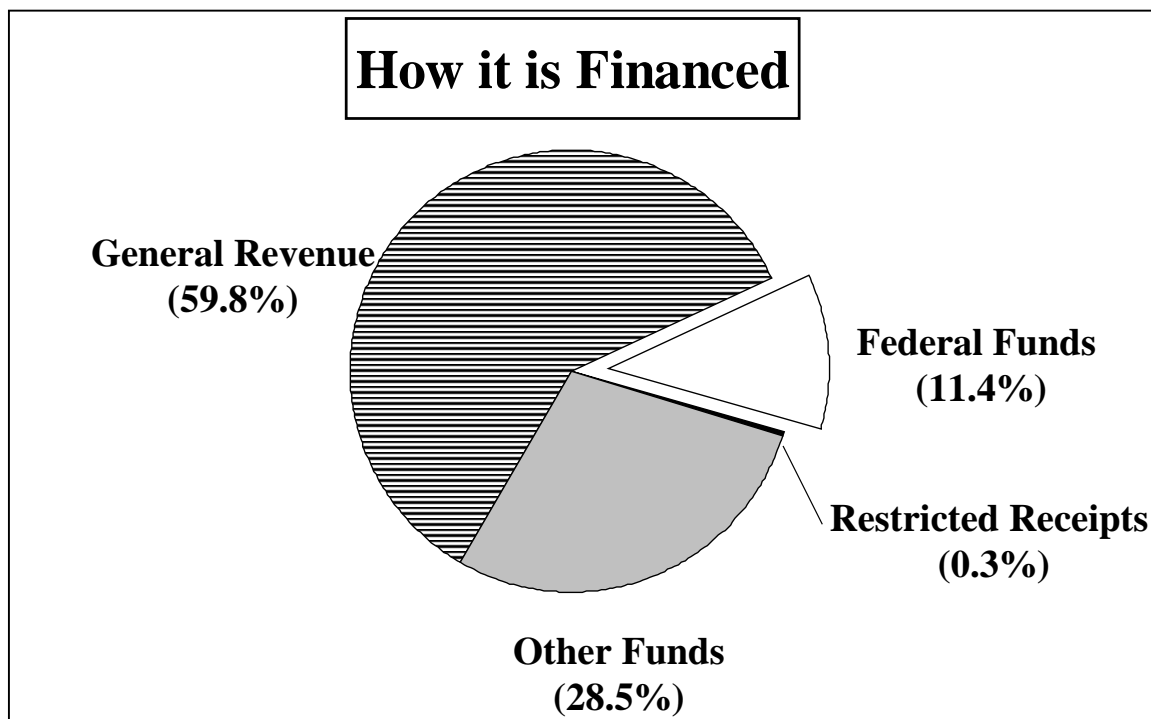
Education

Education

Summary

The Education function of state government includes services provided by the Department of Elementary and Secondary Education, Public Higher Education, the Rhode Island State Council on the Arts, the Rhode Island Atomic Energy Commission, the Rhode Island Higher Education Assistance Authority, the Historical Preservation and Heritage Commission, and the Rhode Island Public Telecommunications Authority. The Governor recommends 3,991.0 FTE positions in FY 2005 and 4,032.0 FTE positions in FY 2006 within the Education function.

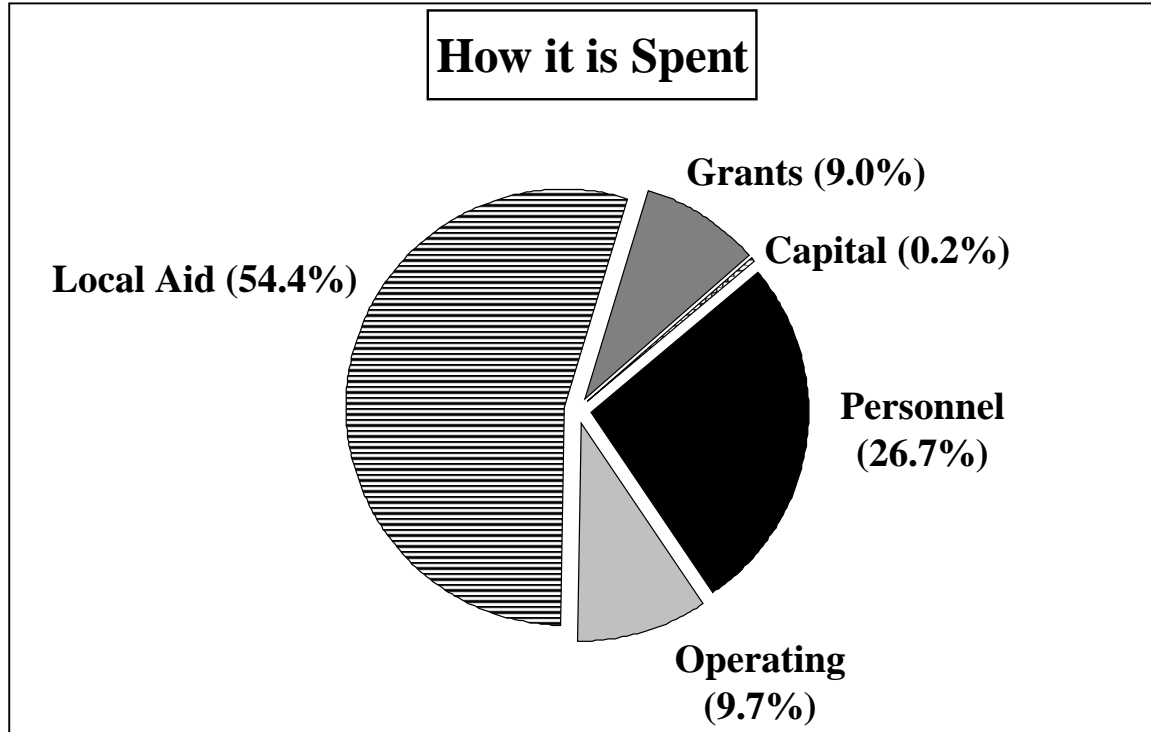
Two boards govern the major part of Education activities in Rhode Island. The Board of Regents, with the advice of the Commissioner of Education, establishes policy with respect to the operations of the Department of Elementary and Secondary Education, state education aid programs, the Central Falls School District, and the three state schools: the School for the Deaf, the Davies Career and Technical School, the Metropolitan Career and Technical School. The Board of Governors for Higher Education, with the advice of the Commissioner of Higher Education, establishes policy with respect to operations at the three state institutions of higher education.



The Governor recommends total expenditures of \$1.729 billion for Education in FY 2006, including \$1.035 billion from general revenue, \$195.9 million from federal funds, \$5.7 million from restricted receipts, and \$493.5 million from other funds.

In the Education function of state government, other funds consist of: Rhode Island Capital Plan Funds, Institutional Revenues, Sponsored Research Programs, Scholarships and Fellowships, Auxiliary Enterprises in Public Higher Education, and the Corporation for Public Broadcasting grant to the Rhode Island Telecommunications Authority.

Education



The Governor's general revenue recommendation of \$1.035 billion for Education for FY 2006 includes an increase of \$49.6 million in general revenues from FY 2005 revised levels, or an increase of 5.0 percent. The recommendation includes increased general revenue financing for Public Higher Education that is 4.1 percent above the Governor's FY 2004 revised budget, and for Elementary and Secondary Education that is also 4.1 percent above the revised level. Tuition increases of approximately 8.9%, 8.5%, and 8.8% at URI, RIC, and CCRI would provide funding for growth in costs at each institution. Elementary and Secondary Education includes increased funding of local education totaling \$816.6 million, an increase of \$37.1 million. Included within this recommendation are initiatives focusing on statewide curriculum, math science and technology improvements, and teacher quality initiatives. In addition to school aid increasing by \$15.7 million the budget fully supports the expansion of Charter School, the Met School and Davies School enrollment at an increased cost of \$2.2 million. Aid to Local Units of Government accounts for 54.4 percent of all education expenditures. State operations expenditures, which include personnel and operating, account for 36.4 percent of total education expenditures. Most of these expenditures occur in Public Higher Education. The remaining 9.2 percent of expenditures occur in grants and benefits and capital outlays.

Education

Elementary and Secondary Education

The Governor recommends \$968.3 million in revised expenditures from all funds for the Department of Elementary and Secondary Education for FY 2005. Of this total, \$794.7 million is general revenue expenditures, \$169.1 million is federal grants, \$3.0 million is restricted receipt funds, and \$110,408 is other fund expenditures. This represents an increase to the enacted FY 2005 budget of \$20.3 million in all funds. General revenue expenditures decrease by \$3.0 million, federal expenditures increase by \$21.8 million, restricted receipt expenditures increase by \$259,395, and other fund expenditures increase by \$1.2 million.

The Governor's revised FY 2005 budget includes four changes in general revenues that account for the majority of the total increase: Education aid to Central Falls increases by \$2.0 million from the enacted level; School Construction decreases by \$1.7 million, reflecting updated information; State retirement contributions for teachers decreases by \$4.1 million, reflecting updated teacher payroll base and proposed changes in the teacher retirement financing; and, \$942,099 in education aid including \$802,965 for telecommunication access for local school districts and libraries. The increase in federal funds represents carry-forward balances from FY 2004 grants, plus significant new federal investments in education for disadvantaged children, students with disabilities programs, teacher preparation programs, and additional standards for the "No Child Left Behind" federal agenda.

The Governor recommends \$1,020.8 million in expenditures from all funds for the Department of Elementary and Secondary Education in FY 2006. Of this total, \$837.0 million is from general revenue, \$178.8 million is from federal funds, \$4.7 million is restricted receipts, and \$277,280 is from other funds. This financing level represents an increase in general revenue expenditures of \$42.4 million from the revised FY 2005 level, an increase of \$9.7 million in federal expenditures, an increase of \$1.5 million in restricted expenditures, and a decrease of \$1.0 million in other fund expenditures. All forms of state support for local education increase \$37.1 million. This includes teacher retirement cost increases of \$10.1 million and School Construction financing increases of \$4.7 million.

Education aid to local government totals \$685.1 million in general revenue funds for FY 2006, including \$41.2 million for Central Falls, a fully state-supported school district, and \$27.7 million for other state schools. This is \$18.0 million more than in FY 2005. It should be noted that the Central Falls recommendation represents a \$3.2 million increase from revised FY 2005 levels and a \$5.6 million increase from the FY 2005 enacted level. It is also recommended that all municipalities be required to contribute at least 1% of the school budget. This new requirement will require a modest contribution of approximately \$0.4 million by the City of Central Falls. Additional growth totaling \$4.3 million is recommended in other education aid, predominantly charter school direct aid of \$3.9 million, and progressive support and intervention aid of \$796,883.

Charter School support increases \$4.2 million as the Governor's budget fully supports over 2,600 students attending eleven Charter Schools. The Governor also recommends a \$1.6 million increase for the Metropolitan Career and Technical School. Located in Providence, this innovative secondary school is designed to prepare Rhode Island's students for the challenges of the 21st century. The school's programs are housed at the Shepard Building downtown, in the West End of Providence, and at a new campus in South Providence. Additional funding for the Metropolitan Career and Technical School provides for increased enrollment at the school to approximately 705 students.

Education

The Governor also recommends a number of special initiatives focused at improving educational performance in the state. Funds totaling \$1.2 million are targeted for the Department's Comprehensive Education Information System. This would support district participation in the student information collection system including the development of a data warehouse and data extraction capability. Of the total, \$100,000 would be used to support teacher quality efforts. Additionally, financing of \$250,000 is provided to strengthen the state's capacity to support science and technology, \$150,000 is recommended to establish a "principal leadership" program which will support mentoring future principals, and \$400,000 to commence implementation of the statewide curriculum in English language arts and mathematics. The Governor also recommends increasing funds to address the needs of the visually impaired. The Governor includes \$250,000 in general revenues and anticipates an additional \$140,000 from local school districts to address this issue. These additional resources would finance two additional teachers and two additional staff to create increased orientation and mobility capacity. This would be the first year of a four-year plan designed to serving all Rhode Island visually impaired students.

The Governor also proposes additional state financing of \$2.6 million for a new adult basic education initiative. The Governor proposes to serve more adult learners and increase the hours of instruction per adult learner in order to increase the number of adult basic education learners earning GED 's, Work Readiness Certificates, and transitioning to college. The Governor proposes to hire a new Adult Education Director responsible for aggressively pursuing federal, private foundation, and business support and maximizing funds budgeted for teachers and direct operating costs. The value of such an investment is realized in increased work readiness and economic competitiveness in our state, and enhances the lives of adult basic education learners in general.

The Davies Career and Technical school budget is recommended at \$12.9 million, or \$430,244 more than FY 2005 revised levels, a 3.5 percent increase. This includes \$110,000 to finance an increase of one FTE and additional growth in student enrollment. The School for the Deaf budget is recommended at \$6.0 million, or \$226,986 more than the FY 2005 revised level. This represents an increase in the FY 2006 recommendation of 3.9 percent for the school.

For FY 2006, teacher retirement obligations total \$58.6 million, an increase of \$10.1 million from revised levels. This reflects projected increases in the teacher payroll base and an increase in the employer contribution rate from 14.18 to 16.44 percent. Retired teacher health subsidy costs are reflected in the Department of Administration budget.

The Governor recommends school construction aid for FY 2006 of \$46.9 million. This represents an increase from the revised FY 2005 level of \$4.7 million. School construction costs in FY 1998 totaled \$19.7 million. In the years since, these costs have increased \$27.2 million, or over 138 percent.

The Governor recommends \$20.5 million in general revenue for the agency's administration program. This is an increase of \$5.3 million from the FY 2005 revised level recommended by the Governor. The recommendation includes a number of initiatives including Adult Literacy, \$2.6 million, Comprehensive Education Information System and teacher quality, \$1.2 million, and Statewide Curriculum, \$400,000.

The Governor recommends 333.1 FTE positions in FY 2005 and 341.1 in FY 2006. The increased FTE authorization reflects one additional FTE for the Davies Career and Technical to expand student enrollment. Seven additional FTE are included in the agency's Administration of the Comprehensive Education Strategy

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program. Of that total, three are targeted for Adult Literacy, two are for the Science and Technology initiative, one the School Leadership initiative, and an additional FTE is for the implementation of the Statewide Curriculum.

Public Higher Education

The Governor recommends total expenditures of \$650.0 million for Public Higher Education in the FY 2005 revised budget, of which \$175.0 million is general revenue, \$3.4 million is federal funds, \$471.2 million is from other funds, and \$0.6 million is restricted receipts. This represents an increase from enacted levels of \$21.5 million, including \$0.7 million in general revenue for personnel and operating, tuition and fees of \$5.2 million, student aid of \$2.9 million, capital plan funds of \$5.7 million in other funds, and \$538,670 for restricted receipts. The Governor's recommendation for FY 2005 includes 4,337.7 FTE positions, the enacted authorization.

For FY 2006, the Governor recommends total expenditures of \$671.8 million for Public Higher Education, including \$182.2 million in general revenue, \$3.1 million in federal funds, \$485.9 million in other funds, and \$607,689 in restricted receipts. Other fund sources include tuition and fee revenues, which are projected to grow by \$23.9 million, or 10.7 percent. General revenues increase by \$7.3 million from revised FY 2005 levels and include additions of \$0.7 million for the opening of the Newport Campus of CCRI, a \$2.0 million transfer from the Department of Administration for Shepard's operations and parking, and \$4.6 million in personnel and operating adjustments.

The budget proposed by the Governor includes level funding in state support to finance current services. Tuition revenues grow by \$7.7 million from tuition rate increases of approximately 8.9 percent at the University, 8.5 percent at the College, and 8.8 percent at the Community College (The average national tuition increase in FY 2005 was 8.4 percent). Pursuant to current law, both the FY 2005 revised budget recommendation and the FY 2006 recommended budget include debt service expenditures within the Department of Administration benefiting Public Higher Education. In FY 2005, debt service of \$15.3 million is recommended and in FY 2006, \$15.5 million is included, an increase of \$153,586. Recognizing increased debt service costs recorded in the Department of Administration, state financed expenditures in FY 2006 for Higher Education increase by a total of \$7.4 million, or 4.2 percent, compared to revised FY 2005 levels.

For FY 2006, the Governor recommends 4,374.7 FTE positions. This represents an increase of 37.0 positions from the FY 2005 revised level. The Vision Impaired Program expansion initiative at the Sherlock Center at Rhode Island College adds 4.0 FTE positions. The anticipated opening of the Newport Campus of the Community college on an annualized basis requires seventeen new positions, while expanding Nursing Programs accounts for thirteen new positions. Expansion of the Pharmacy Program at the University, because of a new nationwide Ph.D degree requirement, includes three new positions.

The Children's Crusade continues to provide quality educational enrichment programs and scholarship assistance to disadvantaged youths during their elementary and secondary school years, using a combination of public and private funds. Continuing federal grant awards will provide funds for an early awareness for college study at \$2.5 million in FY 2005 and at \$2.4 million in FY 2006. The Governor recommends general revenue support for the Rhode Island Children's Crusade at \$1.5 million for FY 2005 and at \$1.4 million for 2006.

Education

Rhode Island Atomic Energy Commission

Rhode Island Higher Education Assistance Authority

Education

attendant earnings to direct to Rhode Island scholarships. Total all funds for scholarships is \$14.9 million, an increase of \$1.0 million from FY 2005 enacted levels. The recommendation fully funds federal maintenance of effort to qualify for incentive and supplemental scholarships for students.

In order to continue his pledge to increase access to Higher Education, the Governor recommends that any additional resources, when available, resulting from the 459 currently authorized video lottery terminals (VLTs) that are being installed at Lincoln Park should be allocated to needs based scholarships to further improve access to higher education. At the time of the November 2004 Revenue Conference, there was uncertainty surrounding the timing of the installation of the previously authorized machines, and it has since been publicly reported that Lincoln Park is proceeding with the project in currently available space. The Governor recommends an increase in State Grants for need-based scholarships by an estimated \$20 million when these funds are available. These additions would serve an additional 5,000 students and will permit eligible Rhode Island students to attend any Rhode Island public institution of higher learning at no cost as related to the costs of tuition, services and books. The average award will increase by approximately \$550 resulting in an estimated average award of \$1,650. The maximum award will be increased from \$1,400 to \$2,000. Additionally, the Governor recommends a \$1,000 award to any needy Rhode Island student pursuing a nursing, mathematics or science degree in any public or private institution in the state. The Governor's commitment to allocate an estimated \$20.0 million of VLT revenues to these programs will result in an increase in the needs met from 30 percent to 40 percent in FY 2006.

The Governor recommends 46.0 FTE positions in FY 2005 and FY 2006.

Historical Preservation and Heritage Commission

The Governor recommends revised total expenditures of \$2.0 million in FY 2005 for the Rhode Island Historical Preservation and Heritage Commission. The total consists of \$1.2 million in general revenue, \$603,760 in federal funds, and \$218,900 in restricted receipts. The total revised recommendation is \$48,946 greater than the FY 2005 enacted total of \$1.9 million and includes addition of \$25,832 in general revenue, \$11,014 in federal funds and \$12,100 in restricted receipts. The additions are attributable to statewide adjustments for existing personnel in state and federal accounts, and the reappropriation of \$18,000 in general revenue for maintenance projects underway at the Eisenhower House in Newport. The increase in restricted receipts is required for support services for the Commission's revolving loan program for historic structures.

For FY 2006, the Governor recommends total expenditures of \$1.9 million, of which \$1.1 million is general revenue, \$583,881 is federal funds, and \$236,662 is restricted receipts. This represents a total reduction of \$54,344 from the FY 2005 revised level, including a decrease of \$52,227 in general revenue, a decrease of \$19,879 in federal financing, and an increase of \$17,762 in restricted receipt financing. The general revenue reduction reflects elimination of \$100,000 for a one-time legislative grant in FY 2005, offset by additions for statewide personnel and benefit additions in the amount of \$52,615, and other adjustments. Federal fund and restricted receipt expenditure financing relate to amounts available from these sources in FY 2006. The Governor recommends 17.6 FTE positions in both years.

Education

Rhode Island Public Telecommunications Authority

The Governor recommends total expenditures of \$5.1 million for the revised FY 2005 budget for the Public Telecommunications Authority. This consists of \$722,740 in grant financing from the Corporation for Public Broadcasting, \$360,736 in federal financing, state general revenue financing of \$1.1 million, and Rhode Island Capital Plan financing of \$2.8 million. The recommendation reflects a decrease of \$95,230 in general revenue expenditures. This is attributable to lower personnel costs primarily due to the retirement of its director and from lower operating costs for electricity and insurance. Corporation for Public Broadcasting expenditures decrease by \$26,688, and Rhode Island Capital Plan funds increase by \$42,311 to \$2.8 million, representing carry forward balances from FY 2004.

The Governor recommends total financing of \$2.0 million for FY 2006, including \$1.3 million in general revenue, and \$756,911 from the Corporation for Public Broadcasting. Compared to FY 2005 revised levels, this represents a \$142,654 increase in general revenue financing, an increase of 34,171 in Corporation for Public Broadcasting support, a decrease of \$360,736 in federal funds, and a decrease of \$2.8 million in Rhode Island Capital Plan financing for FY 2006. The Governor recommends 22.0 FTE positions in FY 2005 and FY 2006.

Public Safety

Public Safety

Summary

The quality of life in Rhode Island is enhanced through the administration of a public safety system that provides law enforcement, adjudicates justice, protects life and property, and handles emergencies impacting Rhode Island's citizens. The twelve agencies that expend 5.9 percent of the total (all-funds) FY 2006 State Budget to provide public safety services to the state include the following: the Department of Corrections; the court system (Attorney General; the Judiciary; Office of the Public Defender; and Commission on Judicial Tenure and Discipline); the homeland security system (Military Staff, including both the National Guard and the Emergency Management Agency, and the E-911 Emergency Telephone System); and other public safety agencies (State Police; Fire Safety Code Board of Appeal and Review; State Fire Marshal; the Rhode Island Justice Commission; and Municipal Police Training Academy). The Marshals, previously part of the Department of Corrections, and the Sheriff's of Several Counties have been transferred to the General Government function and are now part of the Department of Administration. The FTE recommendation for the FY 2005 revised budget is 3,119.1. The FTE recommendation for FY 2006 increases by 19.0 to 3,138.1.

The largest share of funding within the Public Safety function is for the Department of Corrections, representing 44.0 percent of the total. Because the Adult Correctional Institutions, which include eight secure facilities, operate twenty-four hours per day, the department must provide continuous supervision of approximately 3,300 inmates. Additionally, the Community Corrections subprogram supervises 34,000 community-based offenders per year. The second largest share is for the courts system, at 30.5 percent of the total. This includes 22.9 percent of expenditures for the Judiciary, supporting six courts statewide. The Attorney General, the Office of Public Defender, and the Commission on Judicial Tenure & Discipline comprise the remaining 7.6 percent. The homeland security system (Military Staff and E-911) spends 9.6 percent of Public Safety funds. The State Police account for 13.5 percent of Public Safety funds. The four other public safety agencies receive 2.4 percent of the funding in this function.

The Governor recommends a FY 2005 revised budget of \$377.9 million from all funds. Revised funds of \$295.9 million are recommended for general revenue, \$767,481, or 0.3 percent greater than enacted levels. Categorically, this includes a \$2.5 million general revenue increase in personnel costs for salaries, retirement, medical benefits, and other fringe benefits for correctional officers, state police, judicial employees and administrative support personnel. Operating expenditures decrease by \$1.5 million, and grants decline by \$222,938. An increase of \$1.2 million general revenues is recommended for the Department of Corrections and the Judiciary, due to the reappropriation of FY 2004 funds for emergency facility repairs and for the Indigent Defense Fund. The Military Staff increases by \$86,000 due to the provision of funds for the Tall Ship security detail. A decrease of \$535,000 results from the unanticipated retirement of troopers in the State Police. The Budget Office estimate of inmate population has decreased substantially from the enacted level. Because of this and other ongoing initiatives, the Governor's recommendation for the Department of Corrections includes reduced funding for custodial and supervisory overtime and per-capita operating expenditures, including food and prescription drugs. Offsetting these reductions are increases in funding for medical contractors, inpatient and outpatient services, substance abuse and mental health counseling.

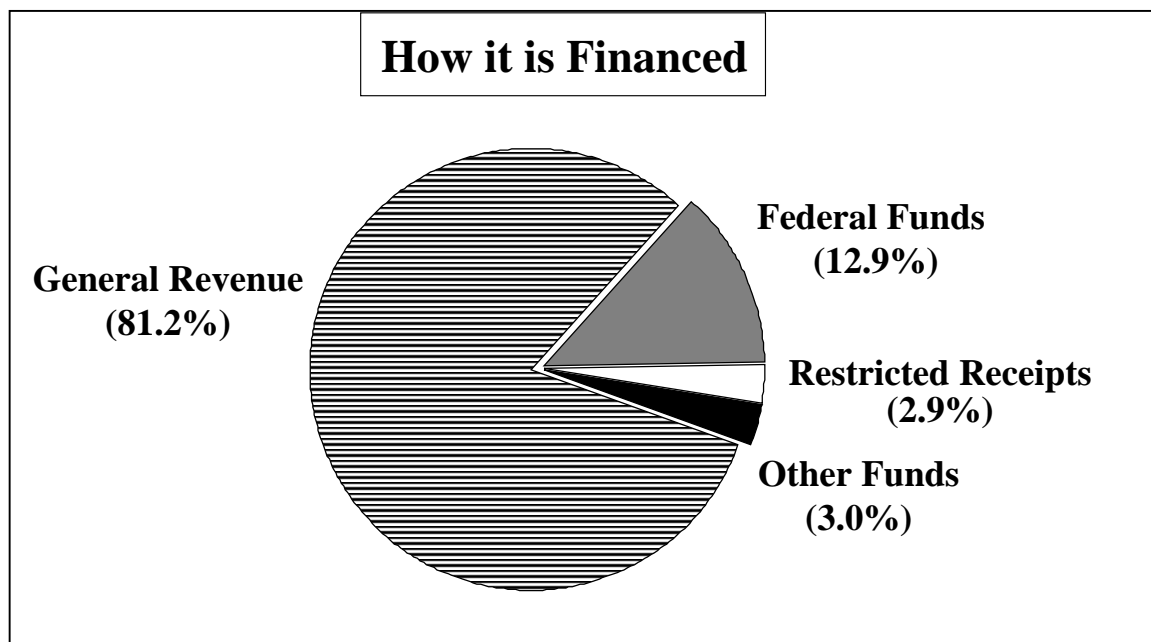
For Public Safety, \$63.3 million is recommended in federal funds in FY 2005, a \$4.4 million increase from enacted levels. \$1.5 million of the increase is due to supplemental homeland security grants for Emergency Operating Center assessment, volunteer training by the R.I. Emergency Management Agency,

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and to a substantial new grant award for first responder equipment, facilities inspections and terrorism preparedness training. R.I. Justice Commission grants increase by \$97,499. Increased grants are included for one-time Drug Court grants and for Child Support Enforcement in the Judiciary. The Attorney General will spend an additional \$621,428 on the National Criminal History Improvement program. The State Police received additional federal funds for drug enforcement and motor carrier safety. The Department of Corrections has increased the utilization of funds from the State Criminal Alien Assistance program, as well as new federal funds to protect inmates and manage high risk released offenders.

In FY 2006, the Governor recommends an all-funds budget of \$368.3 million for public safety programs. Of this amount, \$299.1 million is from general revenue, \$47.5 million is from federal funds, \$10.6 million is from restricted receipts, and \$11.2 million is from other funds. The FY 2006 general revenue budget increases by \$3.1 million, or 1.0 percent, from the FY 2005 revised level. There is a \$3.9 million increase in personnel expenditures, a \$1.3 million decrease in operating, and a \$557,221 increase in grants. Due to both inmate population decreases and cost reduction strategies, the Governor recommends reductions at Corrections in overtime and per capita operating expenditures, as well in medical services and medical personnel contract costs. The Department also adds funds for drug treatment, mental health counseling, reentry counseling, and startup personnel for the Reintegration Center. State Police adds funds for pension costs, vehicles, and communication equipment. The Governor recommends additional personnel in the State Fire Marshal for fire inspectors and related costs and in the Public Defender for provisions of arraignment representation and assistance to more county court systems.

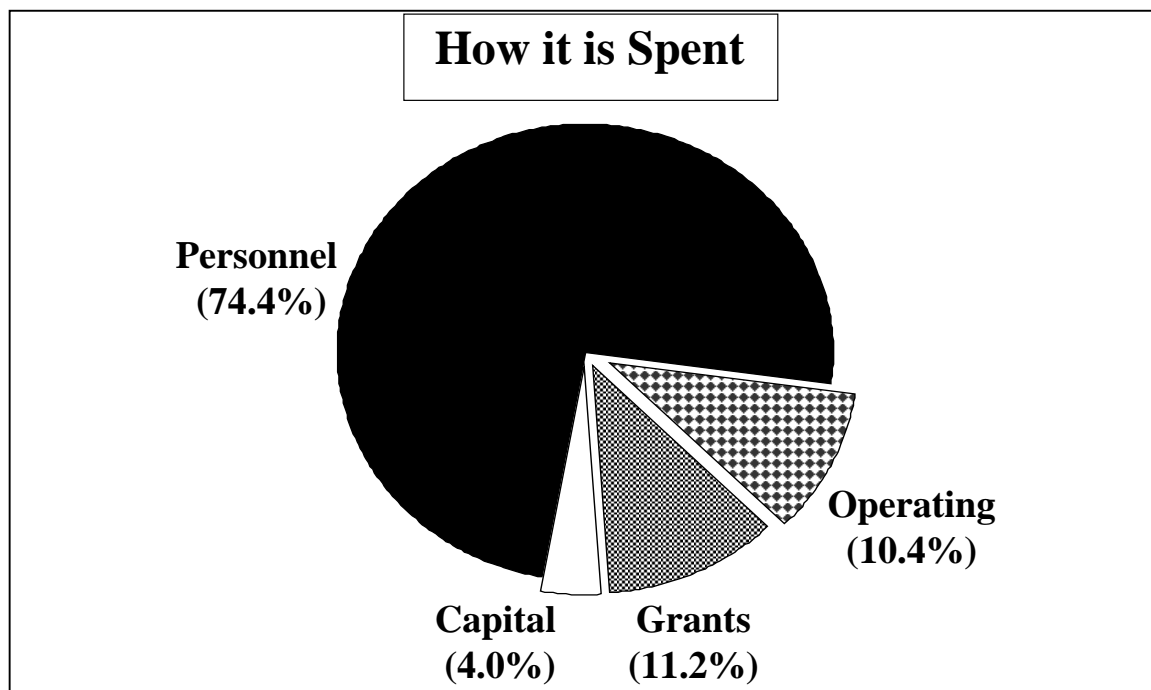
Federal funds in FY 2006 decrease by \$15.8 million, or 25.0 percent, from the FY 2005 revised level, due primarily to the completion of project spending relating to homeland security. The Governor recommends continued expenditure of federal funds to complete additional projects related to homeland security. Federal fund decreases in the Attorney General, Corrections, and Judiciary result from completion or rescheduling of program expenditure, as well as the absence of FY 2004 carry-forward funds.



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Funding for the Public Safety function is derived mainly from state sources. 81.2 percent is general revenue and 3.0 percent is other funds (primarily Rhode Island Capital Plan funds for construction, repair and rehabilitation projects for Corrections, Military Staff, Judiciary, and State Police facilities). 12.9 percent is in federal funds, reflecting primarily Emergency Management homeland security expenditures and National Guard Bureau funding; federal funding for adult education, discharge and reentry services, incarceration of undocumented aliens and a new Reintegration Center at Corrections; Child Support Enforcement and the Drug Court in the Judiciary program; and Rhode Island Justice Commission grants. 2.9 percent is restricted receipts (Attorney General receipts from the Public Utilities Commission, Attorney General and State Police receipts from property forfeiture, Judiciary receipts from the Worker's Compensation Court, and the E-911 GIS and Technology Fund).

State operations, including personnel (74.4 percent, \$274.0 million) and other operating costs (10.4 percent, \$38.3 million), total \$312.3 million, or 84.8 percent of total expenditures, and are financed primarily from general revenues. Assistance, grants and benefits are \$41.3 million or 11.2 percent, and are funded from general revenue and federal funds. Capital improvement projects, \$14.8 million for 4.0 percent, include Rhode Island Capital Plan and federal funds.



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Attorney General

The Governor recommends revised appropriations for the Attorney General of \$20.7 million in FY 2005, including \$17.3 million in general revenue funds, \$2.2 million in federal funds, \$841,962 in restricted receipts, and \$397,500 in Rhode Island Capital Plan fund. This represents an increase of \$650,400 from total FY 2005 enacted levels, and a general revenue decrease of \$10,645. The largest portion of the increase relates to the addition of \$500,000 in federal funds for Capital Improvements. The decrease in general revenue funding reflects a shift in financing for personnel expenses to federal funds. Included in the revised budget is a reappropriation of \$49,472 in general revenue funds from FY 2004 in the Criminal and Civil programs for consultant services. There was a decrease in personnel costs due to turnover rates.

FY 2006, the Governor recommends total expenditures of \$20.1 million, which is comprised of \$17.8 million in general revenue, \$1.2 million in federal funds, \$861,932 in restricted receipts, and \$271,000 in Rhode Island Capital Plan funds. This includes a \$524,957, or 3.0%, increase in general revenues from the Governor's FY 2005 revised budget. The largest portion of this increase relates to statewide changes in medical benefits, retirement rates, and retiree health benefits. The Governor recommends a continued staffing level of 230.5 FTE positions in FY 2005 and FY 2006.

Department of Corrections

For the FY 2005 revised budget, the Governor recommends total expenditures of \$162.5 million. This includes \$148.1 million in general revenue, \$10.9 million in federal funds, \$3.3 million in other funds, and \$216,739 from restricted receipts. The FY 2005 revised general revenue budget is \$655,616 greater than the enacted level.

The FY 2005 supplemental appropriation includes a reappropriation from FY 2004 funds of \$638,516. \$84,072 is for purchased services and operating expenditures incurred but not paid in FY 2004 and \$554,444 to finance an emergency repair at the Medium-Moran facility. The inmate population for FY 2005 is estimated to be 3,377, 198 below the enacted level of 3,575. The population includes 3,370 state inmates and 7 out-of-state (federal) detainees. The December 2004 inmate population level is 3,226. Custodial expenditures therefore decrease by \$1.4 million, including payroll expenditures, due to sporadic closure of six housing units at the Intake Service Center and two modules at Medium-Price, as do per capita operating expenditures, related to the inmate population, particularly food. Conversely, in-patient hospitalizations, outpatient medical care, medical laboratory testing, and contracts for medical (physicians, dentists, nurses, psychiatric) services increase by \$1.5 million due to increases in the number of long-term care and acute cases, as well as increased contract costs for nurses and mental health services. This is partially offset by a reduction in medical supplies and pharmaceuticals of \$916,000, due to a new contract with the University of Rhode Island for an oversight and utilization review process for the pharmacy program and other efficiency measures. Other health related initiatives are the shifting of funding from federal to general revenues for Residential Substance Abuse Treatment program, a new grant for discharge planning for inmates with mental health problems, and a new associate director/psychiatrist position to address the growing number of mental health related referrals.

The FY 2005 revised general revenue budget includes \$1.9 million for a final retroactive COLA payment to the Rhode Island Brotherhood of Correctional Officers (RIBCO). Additionally, overtime resulting from attrition due to sick leave and a lack of trainees, military leave, and an arbitrator's decision will require

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additional funding of \$2.5 million. The Department intends to reverse this trend by conducting two correctional officer-training classes during FY 2005. One class has been completed and one class will graduate trainees in April 2005. The new classes are expected to provide for the filling of 60.0 new correctional office slots in both the FY 2005 and FY 2006 budgets. Overtime savings are expected to total \$1.2 million in FY 2005 and \$1.1 million in FY 2006. Training costs are estimated at \$962,000 in FY 2005. The Governor recommends \$285,984 in salary and benefits for a negotiated personnel settlement awarded pursuant to an arbitration. The FY 2005 revised budget also finances fringe benefit adjustments for medical and retiree health benefits, COLA and medical benefits adjustments for non-union classified employees, and an adjusted current services level of contract stipends. The Governor also recommends additional funding for the Parole Board and the Sex Offender Community Notification unit, to replace equipment.

Federal fund expenditures increase from the enacted level by \$1.1 million. The Governor recommends \$1,071,000 in federal Department of Justice funds for the Offender Reentry program (a \$66,000 increase) and \$358,215 (an increase of \$117,000) for the High Risk Discharge Planning program, to provide a new community-based model for aftercare services for inmates upon their release into the community. The budget also increases by \$759,969 in federal reimbursements for the housing of criminal alien inmates, reflecting both revised estimates of federal fund availability and revised bids on the Medium-Moran chiller line project. The governor recommends \$251,927 in new federal funds to the Protecting Inmates/Safeguarding Communities program to prevent inmate sexual assault and to manage high-risk offenders upon release. The Governor also recommends use of unspent FY 2004 balance forward funds: \$200,000 for the J-Link Imaging system to provide technological enhancements to the Department's links with other part of the justice system; \$67,000 for the Sex Offender Management Task Force to identify and implement new sex offender management strategies; and \$228,000 for education of inmates in reading and math. Offsetting these increases, Federal Crime Bill expenditures have been reduced by \$521,000 due to revised construction schedules for the Reintegration Center. Funds for the Residential Substance Abuse program decrease \$67,000 due to the termination of the federal grant. The \$79,000 increase in restricted receipts from the enacted budget is due to the utilization of unspent FY 2004 funds to offset personnel costs for housing seven federal detainees. The \$530,000 decrease in other funds results from the delay and expenditure rescheduling of several projects.

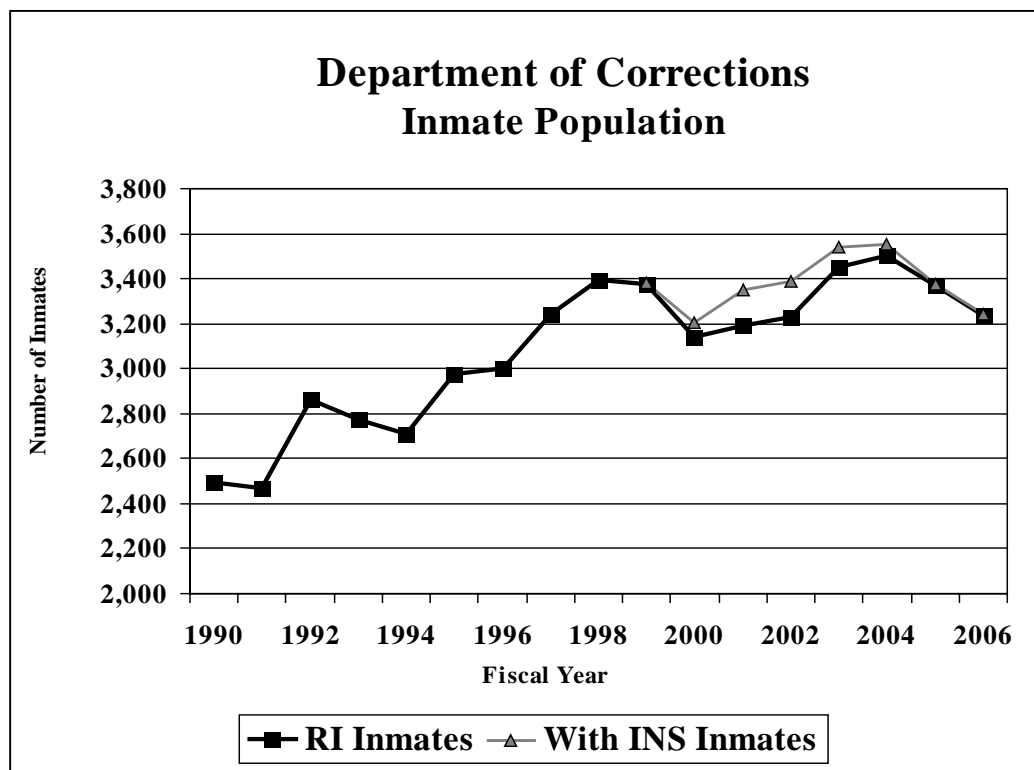
For the FY 2006 budget, the Governor recommends \$162.2 million in total expenditures for the Department of Corrections. This consists of \$146.6 million in general revenue, \$9.3 million in federal funds, \$136,875 in restricted receipts, and \$6.2 million in other funds.

The FY 2006 recommended general revenue budget decreases by 1.0 percent, or \$1.5 million, from the FY 2005 revised level. The FY 2006 recommended budget supports an inmate population of 3,244, including seven federal detainees and 3,237 state inmates, a decrease of 133 from the FY 2005 revised estimate. The decrease results in part from the revised FY 2005 population census discussed above. FY 2006 savings from this estimate are \$2.039 million in per capita operating and overtime expenditures. An additional 73-inmate reduction in FY 2006 is anticipated because of expansion of courts arraignment services.

In prior year budgets, the Governor recommended continued expenditure for equipment and 3.0 FTE positions in Corrections to operate an expanded video arraignment program to include all Providence Court arraignments, including the Sixth District Court. The Governor also recommended 2.0 FTE arraignment attorneys in the Office of the Public Defender. The augmented resources have reduced the

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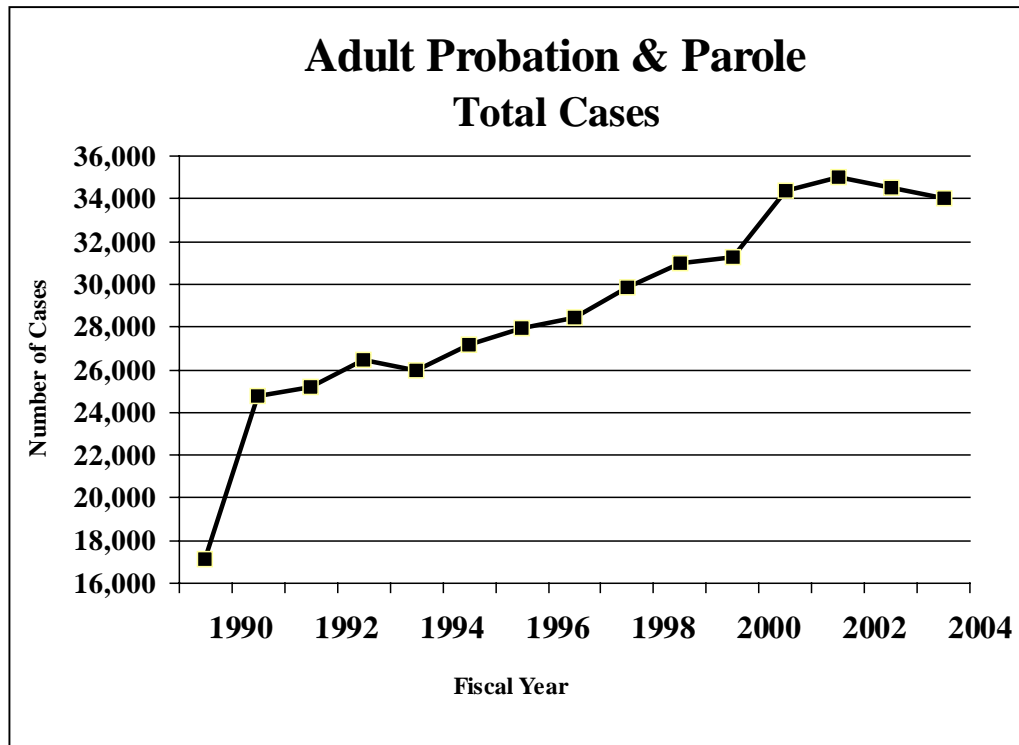
length of pretrial custody and improve both security and efficiency in the handling of inmates. In FY 2006, the Governor recommends an additional 5.0 FTE's in the Office of the Public Defender to expand the Defender Advocacy Program to serve Kent and other county court systems. The Program provides assistance to indigent clients with substance abuse, mental health, employment, and homelessness problems in order to advocate for alternatives to incarceration, for bail reduction, and for treatment options. The Governor anticipates additional reductions in the inmate population from the program expansion, and has included a reduction of \$1.45 million in per capita operating and overtime expenditures, anticipating near-continuous closure of six Intake Service Center housing units in FY 2006. In order to continue operations in times of constrained resource availability, the Department has taken temporary steps to reduce staffing requirements and shift populations in two facilities. At the Intake Service Center, the awaiting trial population and staff are shifted on a day-to-day basis to minimize overtime requirements. As in the past, the Department continues to be committed to a more efficient process of filling existing posts. The Department will work with the Governor, the Judiciary, and other interested parties to develop both early release and sentencing reform options to contain inmate population growth at an affordable level.



While funding medical related purchased services, supplies and pharmaceuticals at the FY 2005 revised levels, the Governor also anticipates a \$900,000 savings in pharmaceutical costs through the use of the federal 340B provision that allows steep discounts for covered entities such as state hospitals and other public entities. The Governor also recommends \$250,000 in savings of chronic medical care costs, achieving FY 2005 initiatives to reduce medical costs and related one-on-one custody services by establishing an assisted living unit within the Moran facility and by establishing a secure medical ward unit at Slater Hospital.

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The Governor recommends sufficient general revenue to finance three administrative positions for one-third year to perform start-up tasks on the Reintegration Center, which is now scheduled to open in FY 2007. The Governor recommends an additional \$300,000 in general revenue to replace expiring federal funding for inmate reentry programs that serve 350 sentenced offenders that are released in the Providence area each month. The Governor recommends cost annualization for FY 2005-revised initiatives such as the associate director/psychiatrist position, the Residential Substance Abuse program, medical service contracts, and mental health counseling.

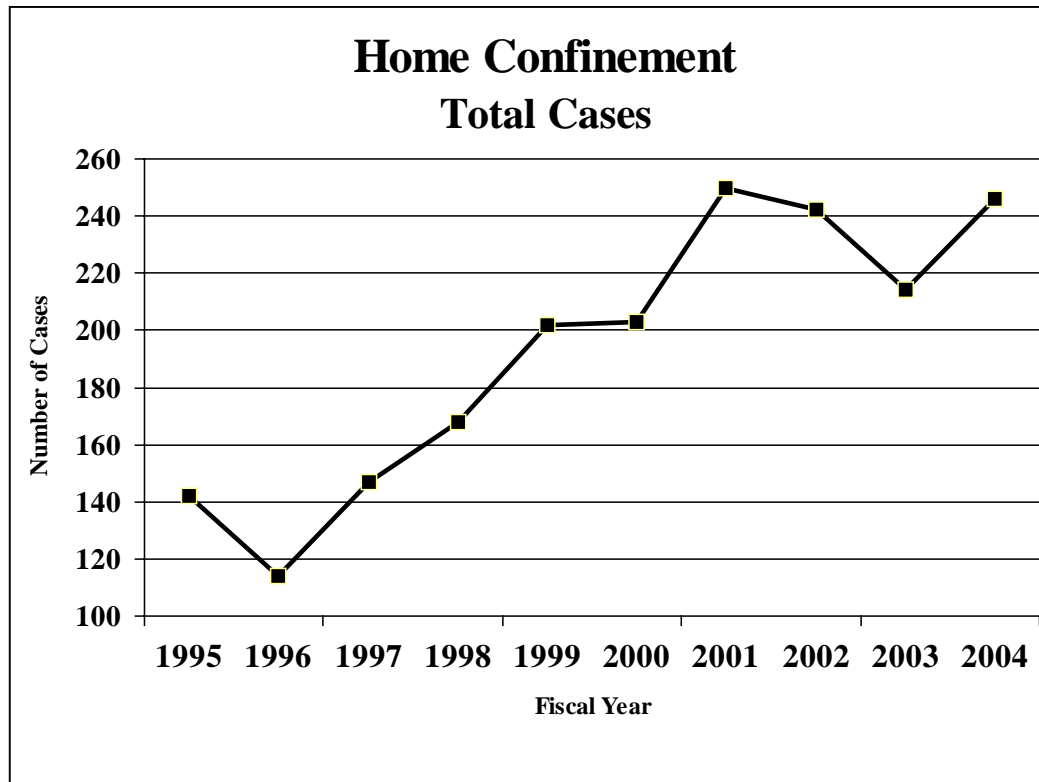


The Department also provides an array of programs to supervise offenders who have been released from prison in order to protect the public and rehabilitate the inmate. The budget supports at the current service level probation and parole services, the home confinement program, intensive community supervision of domestic violence and sex offenders in certain geographic areas, victims services, as well as funding for a transitional housing program for women. The total probation and parole caseload in FY 2004 was 34,015, down 1.4 percent from FY 2003. The home confinement population, however, has risen 15.0 percent to 246 in FY 2004. (The December 2004 community corrections population census is 303). The Governor recommends full funding of monitoring equipment for the home confinement program.

Federal funding in FY 2006 decreases by \$1.6 million. To date, Rhode Island has received \$15.0 million in federal Violent Offender Incarceration – Truth-In-Sentencing (VOI-TIS) funds. A portion of the grant can be used for drug treatment and administrative costs, but the funds are primarily for expansion of bed capacity for violent offenders. Federal VOI-TIS funding has been used for expansion of bed space at the women's facilities and a renovation of Medium Security facilities. Construction has begun for the renovation of a building at the Pastore Center to be used as a Reintegration Center, which will add 175 beds for sentenced males. The Center will house inmates who are within twelve months of release, but

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who have not qualified for lower custody status. Intensive evaluation and services will be provided to residents to facilitate their reintegration into community life. The department has revised the opening date estimate to September 2006. The FY 2006 budget for VOI-TIS is \$5.8 million, \$341,000 less than the FY 2005 revised level. There are additional grant reductions in the State Criminal Alien Assistance Program, the Department of Justice (J-Link) and Department of Education grants due to the end of the grant programs or the return to base levels without FY 2004 balance forward funds. Restricted receipts decrease by \$79,864 to reflect the end of FY 2004 balance forward funds and the base level of seven federal inmates.



In order to provide necessary repairs and renovations to the Department's aging facilities, and to address state match requirements for federally funded expansion projects, the FY 2006 budget includes \$6.2 million in Rhode Island Capital Plan funds. Major project funding is recommended in FY 2006 for the following: Reintegration Center state match; fire code safety improvements; heating and temperature control; security camera installation; and roof repair and bathroom renovations in the women's facilities. Rhode Island Capital Plan funding increases by \$2.9 million from the FY 2005 revised budget level due to new project initiations (High Security Infrastructure Improvements, MIS/Admin Unit Relocation) as well as expenditure rescheduling of existing projects. The Governor also recommends \$150,000 to conduct a Siting/Construction Options Study to update the existing Carter-Goble study, particularly in the areas of women's and medium security facilities.

The Correctional Industries program will continue to provide landscaping and grounds maintenance services for the Capitol Hill offices and Waterplace Park. \$231,386 in general revenue is budgeted in FY 2005 and FY 2006 to Correctional Industries for this purpose. All other operations are supported by customer agencies and include a variety of services and products such as printing, sign making, cleaning

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supplies, license plate production, office workstation production and installation, moving and painting services for state, municipal, and charitable organizations, highway litter crews, and graffiti removal crews. Outsourcing of inmate commissary services has proven economically and strategically successful, and has been continued.

The Governor recommends 1,586.0 FTE positions in FY 2005 and 1,589.0 in FY 2006.

Judiciary

The Governor recommends a revised FY 2005 budget of \$85.4 million, which is 10.2 percent higher than FY 2004 expenditures. This includes \$72.2 million in general revenues, \$5.0 million in federal funds, \$7.3 million in restricted receipts, and \$852,654 in other funds. The revised general revenue budget is \$522,807 higher than the enacted level of \$71.7 million, reflecting a reappropriation of \$522,807 from FY 2004. Major general revenue increases recommended by the Governor include: \$792,714 for computer technology expenditures; \$522,807 for Indigent Defense Fund legal services to implement a new fee schedule for court-appointed lawyers initiated by executive order of the Supreme Court Chief Justice; and \$138,008 for HVAC maintenance, which was transferred from the Department of Administration. Major general revenue decreases include: \$370,538 for judicial pensions; \$206,008 for leveraged purchasing savings; \$140,000 for operating costs shifted to restricted receipts, and \$116,385 for payroll.

The FY 2005 revised budget provides an additional \$917,725 in federal grant funding, \$763,063 of which is budgeted in Superior Court and Family Court for one-time Drug Court grant programs, as well as Child Support Enforcement activities. The recommended expenditures from restricted receipts are \$111,167 greater than enacted levels. Most of the increase is associated with operations of the Workers' Compensation Court (\$64,010) and new grant awards in Supreme Court for court improvement projects (\$43,136).

In FY 2006, the Governor recommends expenditures of \$84.4 million, including \$72.7 million from general revenue, \$3.1 million from federal funds, \$7.4 million from restricted receipts, and \$1.3 million from other funds. The recommended general revenue budget in FY 2006 is \$471,377 greater than the FY 2005 revised budget. Significant general revenue changes include: an increase of \$2,246,734 for payroll, of which \$1,831,935 is associated with increases in retirement and medical costs for employees; a decrease of \$1,557,664 for purchased services; and a decrease of \$217,693 for operating costs. Most of the decrease in expenditures for purchased services is associated with computer technology expenditures completed in FY 2005.

In FY 2006, federal funds expenditures are projected to decline by \$1.9 million due to several large discretionary grants ending, or declining. These include reductions of \$814,127 in Supreme Court for Victim's Assistance and Domestic Violence grants; and reductions of \$1,118,771 in Superior Court and Family Court for Drug Court and Drug Court Family Treatments grants. Other funds expenditures of \$1.2 million recommended in FY 2006 are for capital improvements to the various courthouses. The building renovation projects will be financed from the Rhode Island Capital Plan Fund. The Governor's Capital Budget includes expenditures of \$20.3 million in FY 2006 from certificates of participation for the \$60.2 million project to construct a new Kent County Courthouse and parking garage. The Capital Budget also includes expenditures of \$15.6 million in FY 2006 from certificates of participation to build a

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new Traffic Tribunal on the Pastore Center. The total cost of the new facility is projected to be \$21.8 million.

The Governor recommends an authorized staffing level for the Judiciary of 743.5 FTE positions for FY 2005 and FY 2006, which is no change from the FY 2005 enacted level.

Military Staff

In the FY 2005 revised budget, the Governor recommends total expenditures for the Military Staff of \$39.7 million, including \$2.3 million general revenues, \$36.6 million in federal funds, \$721,300 in other funds, and \$173,704 of restricted receipts. The FY 2005 revised budget is 4.7 percent more than the enacted budget, and consists of a \$86,708 increase in general revenue, a \$1.5 million increase in federal funds, a \$14,453 decrease in restricted receipts, and an increase of \$165,050 in other funds. The increase in federal funds relates to a new (federal fiscal year 2005) homeland security grant of \$16.1 million in Emergency Management, adjusted for revisions in the expenditure schedule for the new grant and previously awarded grants. The Governor recommends in FY 2005 total spending of \$26.7 million from new and existing federal grants for various homeland security-related activities: the Emergency Management Planning Grant, Emergency Operating Center assessment; state and municipal first responder equipment; equipment for local emergency response teams; interoperable communications; the Urban Search and Rescue program; municipal planning, exercises, and training; state homeland security equipment, training, exercise and planning activities; law enforcement terrorism prevention; the Metropolitan Medical Response System for the city of Providence, and Citizens Corps and volunteer training programs. Also funded from homeland security sources (the three percent Management & Administration portion) are personnel and operating costs for homeland security activities, as well as funds for the construction of a new Emergency Operations Center.

The increase in other (R.I. Capital Plan) funds is due to the revised expenditure estimates for several projects, Schofield Armory Rehabilitation, U.S. Property and Finance Office, Warwick Armory, and the Fire Code Compliance projects, offset by a postponement of the North Smithfield Armory project. The decrease in restricted receipt expenditure is due to the revised expenditure estimate from funds provided by nuclear plant companies for disaster planning, offset by the addition of the R.I. Military Family Relief Fund, which provides assistance to the families of Guardsmen and Reservists from donations, gifts and income tax check-off.

The revised general revenue appropriation of \$2.3 million includes additional funds for payroll and operating expenditures for the security detail assigned by the Governor to the Tall Ships visit to Newport. The budget also includes salary and employee benefit adjustments, cost reallocation to federal funds, reductions in Emergency Management operating expenditures, and additional utilities funding for a new armory building.

In the FY 2006 budget, the Governor recommends total expenditures of \$29.7 million for Military Staff programs, including \$2.2 million from general revenue, \$26.5 million from federal funds, \$176,429 from restricted receipts, and \$878,825 from R.I. Capital Plan funds. Compared to the revised FY 2005 budget, general revenue expenditures decrease by \$77,563, federal funds decrease by \$10.1 million, Rhode Island Capital Plan funds increase by \$157,525, and restricted funds increase by \$2,725.

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The FY 2006 recommended budget finances the current services for the National Guard and Emergency Management programs. The Governor recommends additional general revenue funds for repairs at state armories and for staff fringe benefit adjustments. In other funds, the Governor recommends continued Rhode Island Capital Plan funding for repair projects at the Benefit Street and Schofield armories, as well as roof rehabilitation at the Armory of Mounted Commands and fire code-related improvements for all National Guard facilities. Offsetting these increases are reductions due to the scheduled completion of the Camp Fogarty Training Site, Warwick and U.S. Property and Finance Office projects. The Governor also recommends new projects for HVAC and roof repairs at the Command Readiness Center, as well as repairs at the Army Aviation Support facility at Quonset and the Combined Support Maintenance Shop in Smithfield. In federal funds, the Governor recommends \$17.9 million for continued homeland security funding from the Federal FY 2003, FY 2004 and FY 2005 State Homeland Security Grants, as well as related federal funds.

The Governor recommends 98.0 FTE positions in FY 2005 and 103.0 FTE positions in FY 2006. The increase of 5.0 FTE's in FY 2006 is for new homeland security-related positions in Emergency Management, including two planners, one logistics and equipment manager, one training and operational readiness manager, and one grant management officer. These positions would be funded in part from federal Emergency Management Planning funds and in part from the three percent Management and Administration portion of the State Homeland Security Grant.

E-911 Emergency Telephone System

The Governor recommends expenditures of \$5.5 million in the FY 2005 revised budget for the E-911 Emergency Telephone System, including \$3,841,168 in general revenues, \$136,000 in federal funds, and \$1,534,189 in restricted receipts. This amount is \$39,934 higher than the FY 2005 enacted budget. The significant changes to the agency's budget include increases of \$19,761 in general revenues and \$136,000 in federal funds, and a decrease of \$115,827 in restricted receipts. The increase in general revenues is for greater than anticipated costs to provide medical benefits statewide, while the increase in federal funds is associated with two new Homeland Security grants from the Emergency Management Agency. These increases are partially offset by a \$115,827 reduction in GIS and Technology Fund expenditures, due to lower projected revenues from the 26-cent wireless phone surcharge. The GIS and Technology Fund was established in FY 2005 to provide a dedicated revenue stream to complete and maintain the GIS database, improve system reliability by establishing a backup facility, and replace antiquated public service answering point equipment.

The FY 2005 revised budget provides \$1.0 million for the geographic information system (GIS) database development project to complete the geo-coding of the greater Providence area, as well as Warwick and West Warwick. To date, about 25 percent of the State has been geo-coded, representing 9 of the 39 cities and towns. The GIS database provides the capability to locate wireless and wireline callers by relating latitude and longitude coordinates to a specific address or landmark. The GIS database includes coordinate locations of buildings served by wire line telephones, road centerlines, fire hydrants, public places, and driveway access points; street addresses; road names; and, other pertinent information. Rhode Island was the first state to be fully compliant with Phase II of a FCC-mandate that requires public safety answering points (PSAPs) to locate callers within certain distance and accuracy parameters. Approximately 55 percent of the 536,000 phone calls received last year were from wireless telephone callers.

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For FY 2006, the Governor recommends expenditures of \$5.6 million for the E-911 Emergency Telephone System, including \$3,968,299 from general revenues and \$1,656,924 from restricted receipts. Of the \$3,968,299 of general revenues, \$3,585,242 is for personnel expenditures and \$383,057 is for operating expenditures. The \$1,656,924 of restricted receipt expenditures includes \$957,102 to continue the geo-coding project. The cities and towns programmed for geo-coding include Woonsocket, Narragansett, Coventry, Cumberland, and North Kingstown. Also, \$699,822 is budgeted for technology enhancements and the completion of the backup E-911 facility. The backup facility will be housed in the Public Utilities Commission building at 89 Jefferson Boulevard in Warwick. For FY 2005 and FY 2006, the Governor recommends an FTE authorization of 50.6 positions.

Fire Safety Code Board of Appeal and Review

For FY 2005, the Governor recommends revised general revenue appropriations of \$243,649, an increase of \$2,291 from FY 2005 enacted levels. The change reflects personnel adjustments and office relocation with new rental costs, in a shared rent lease with another state agency.

The Governor recommends general revenues of \$265,408 for FY 2006, an increase of 8.9 percent from the FY 2005 revised budget. The recommendation fully finances current operations of the board, including additional duties regarding review of building rehabilitation plans effective July 1, 2001. The Governor recommends 3.0 FTE positions in FY 2005 and FY 2006.

State Fire Marshal

The Governor recommends revised FY 2005 funds for the State Fire Marshal of \$2.26 million, including \$1.9 million in general revenue, \$340,379 in federal funds, and \$12,599 in other funds. The revised general revenue budget reflects a decrease of \$65,069 from FY 2005 enacted levels, attributable to net savings in personnel and operating. Decreased federal ceilings of \$68,011 reflect a zero grant award for Bioterrorism and an increase in Terrorism Preparedness Training funding.

The Governor recommends total expenditures of \$2.7 million in FY 2006, including \$2.4 million general revenue, \$341,635 federal funds, and \$12,599 in other funds. The recommended general revenues represent an increase of \$250,512 for six additional inspectors, plus new evening inspection staffing costs of \$58,000, and other increases of \$147,228 in personnel and operating costs. The Governor recommends 32.0 FTE positions in FY 2005 and 38.0 FTE positions in FY 2006.

Commission on Judicial Tenure and Discipline

The Governor recommends general revenue expenditures of \$125,254 in the FY 2005 revised budget. This amount is \$22,412 greater than the FY 2005 enacted budget of \$102,842. The additional funding is for legal and stenographic expenditures incurred, but not paid, in FY 2004 for judicial investigations.

For FY 2006, the Governor recommends expenditures of \$106,650 from general revenue, which is \$18,604 less than the FY 2005 revised budget. The Governor's recommendation fully finances the Commission's operations, including funding for the one full-time staff member and a base level of funding for legal, stenographic, and operating expenses.

Public Safety

Rhode Island Justice Commission

The Governor recommends total revised expenditures of \$6.1 million for FY 2005, including \$253,962 in general revenue, \$5.8 million in federal funds and \$30,000 in restricted receipts. This revised funding level is \$43,094 greater than the FY 2005 enacted budget and includes a net increase in federal funds for crime victim assistance of \$97,499. This is offset by restricted receipt expenditures that are \$60,000 less than the FY 2005 enacted level for accrued interest allocation, arising from the federal Juvenile Accountability and Incentive Block Grant disbursements. The general revenue increase over FY 2005 enacted expenditures of \$5,595 relates to current service requirements for statewide employee benefits.

For FY 2006, the Governor recommends total expenditures of \$5.735 million, including \$253,085 from general revenues, \$5.452 million from federal funds, and \$30,000 from restricted receipts. This level of funding is \$334,489 less than the FY 2005 revised level recommended by the Governor and reflects primarily Juvenile Accountability and Incentive Block grants that are expected to be unavailable in FY 2006. The FY 2005 budget authorized by Congress consolidates the Byrne formula and Local Law Enforcement and Block Grants into the Byrne Memorial Justice Assistance Grant.

The FY 2005 and FY 2006 FTE recommendations are unchanged from the FY 2005 enacted ceiling of 9.0 full time equivalent positions.

Municipal Police Training Academy

The Governor recommends a revised FY 2005 budget of \$490,726, including \$361,375 of general revenue and \$129,351 of federal funds. The general revenue recommendation is \$48 more than the FY 2005 enacted level, adjusting for minor corrections to benefit amounts. Federal funds are \$13,649 less than the enacted amount of \$143,000, adjusting for carry-over balances and annual awards through the Rhode Island Justice Commission for Hate Crimes Training and the Byrne Grant for In-Service Training. Fiscal year 2005 federal funds also include \$50,000 for a new Homeland Security grant award through the Emergency Management Agency. The Governor recommends 4.0 FTE in FY 2005, consistent with the enacted number of positions for the Academy.

The Governor recommends total expenditures of \$403,710 for the Academy in FY 2006, consisting of \$373,710 in general revenue and \$30,000 in federal funds, to maintain its recruit and in-service training programs for approximately 1,200 officers each year. Federal funds in FY 2006 will contribute financing for in-service, hate crime and homeland security courses. The Governor recommends 4.0 FTE positions in FY 2006, consistent with previous years' staffing levels.

State Police

The Governor recommends \$47.5 million in expenditures for the State Police in the FY 2005 revised budget, including \$42.4 million general revenues, \$1.7 million in federal funds, \$2.8 million in other funds, and \$445,268 of restricted receipts. This recommendation represents a decrease of \$534,939 in general revenue expenditures from enacted levels. The largest component of the general revenue reduction is for personnel costs, which reflects the unanticipated retirement of troopers. This single item net of additional pension costs produced savings of \$612,958. Other funds expenditures increase in by

Public Safety

\$697,772, for increased road construction reimbursements. Restricted receipts increase by \$147,179, and federal funds by \$24,967.

The Governor recommends \$49.1 million in expenditures from all funds for the State Police for FY 2006, including \$44.8 million general revenues, \$1.4 million in federal funds, \$2.6 million in other funds, and \$301,100 of restricted receipts. This represents an increase in all funds of \$1.6 million from the FY 2005 revised levels recommended by the Governor. This includes increases in general revenue expenditures of \$2.3 million and, reductions in federal expenditures of \$361,077, other fund expenditures of \$164,076, and reductions in restricted receipts of \$144,168. Pension costs account for \$504,250 of the general revenue increase. Additional increases are recommended for trooper vehicles, \$405,450, microwave/radio system equipment, \$214,315, and for the agency's cellular digital packet data (CDPD) system, \$129,672. This last increase is necessary, as the State Police system for transmitting data from trooper vehicles through the RILETS system will expire in December 2005. Vehicle replacement financing will replace approximately 30 cars.

The Governor recommends 274.0 FTE positions in both FY 2005 and FY 2006.

Office of the Public Defender

The Governor recommends total expenditures of \$7.4 million in the FY 2005 revised budget for the Public Defender, including \$6.9 million in general revenue and \$451,359 in federal funds. The general revenue recommendation is \$62,716 more than the FY 2005 enacted level. The budget includes a balance forward of \$23,429 for a property tax escalator adjustment, as well as for unpaid FY 2004 obligations. The increase also includes \$16,800 for an estimated rent increase and a net of \$22,487 for statewide fringe benefit, vacancy and operating adjustments. The \$32,192 net increase in federal expenditures is due to a increased estimate (\$85,420) of grant funds provided by the R.I. Supreme Court to finance one FTE to provide legal representation to respondent parents in dependency, abuse, neglect, or termination of parental rights appeal cases. Offsetting this increase is a reduction of \$53,228 in grant funds for the Juvenile Response Unit, which provides immediate defense intervention and advocacy for juveniles deemed appropriate for non-custody community-based treatment alternatives. Federal funds for the program will cease in FY 2005.

The Governor recommends total expenditures of \$7.9 million in FY 2006, including \$7.7 million in general revenue and \$237,847 in federal funds. The FY 2006 general revenue recommendation is \$761,971 greater than the Governor's FY 2005 revised recommendation. The increase includes adjustments to current services such as statewide adjustments for fringe benefits and salaries of \$310,358 and \$8,400 for an annualized rent increase. The Governor recommends \$129,396 to fully fund the Juvenile Response Unit, replacing federal funds. The Governor also recommends a program expansion by adding 5.0 FTE's to the Defender Advocacy Program to provide assistance to indigent clients with substance abuse, mental health, employment, and homelessness problems in order to advocate for alternatives to incarceration, for bail reduction, and for treatment options. The benefits of the program include reduced court time and a reduced number of incarcerated prisoners, increased court efficiency and reduced correctional expenditures. The FY 2006 recommendation is for 92.5 FTE, an increase of 5.3 from the FY 2005 enacted level.

Natural Resources

Natural Resources

Summary

The Natural Resources function includes the Department of Environmental Management, the State Water Resources Board and the Coastal Resources Management Council. Certain debt service for general obligation bonds issued to finance capital projects of the Narragansett Bay Commission and the Rhode Island Clean Water Finance Agency are appropriated in the Department of Administration, though the agencies themselves are not part of the state budget.

The Department of Environmental Management manages and protects Rhode Island's public and common natural assets, including land, air and water resources. It manages state-owned lands, including state parks and beaches, forests, port facilities, and fish and wildlife management areas. The department administers a capital management program financed by general obligation bonds, Rhode Island Capital Plan funds, federal funds, restricted receipts and third-party sources, specifically for land acquisition. Capital program activities include: acquisition and development of recreational, open space and agricultural lands; municipal and non-profit grant programs for land acquisition and development; improvements to state-owned ports and recreation facilities; Superfund federal mandates; construction of new state environmental facilities; municipal wastewater facility construction grant programs; and, grants to non-governmental entities for specified water quality improvement projects. The department also monitors the use and quality of state groundwater, regulates discharges and uses of surface fresh and salt water; enforces game, fishing and boating regulations, regulates air quality, and monitors the disposal of solid and hazardous wastes.

The Coastal Resource Management Council seeks to preserve, protect and restore the coastal resources of the state. The council is administered by sixteen appointed representatives from the public and from state and local government, and is staffed with professional engineers, biologists, environmental scientists and marine resource specialists. The council issues permits regarding proposed changes in coastal facilities within an area from three miles offshore to two hundred feet inland from coastal features, including all freshwater wetlands within the coastal zone. The council formulates, amends, and enforces violations of the Rhode Island Coastal Resources Management Plan and Special Area Management plans. The council: develops guidelines and advises communities on harbor management plans; develops a Submerged Lands Management licensing program for public trust areas; designates public rights-of-way to the shore; and serves as the aquaculture coordinator for permitting and planning actions. The council is the lead agency for all dredging and implements an extensive habitat restoration effort. It also conducts public outreach and public communication campaigns on its programs and activities, and coordinates its programs with other government agencies.

The State Water Resources Board is a water supply planning and development agency responsible for promoting the protection of developed and undeveloped drinking water supplies for the thirty-four municipal water supply systems located in the state. The board regulates water supply distribution lines connecting water supply systems and is creating a computerized database for drought alert communication. The board also manages the Big River Management Area, a water supply reservation. The board is composed of thirteen appointed representatives from the public and from state and local government.

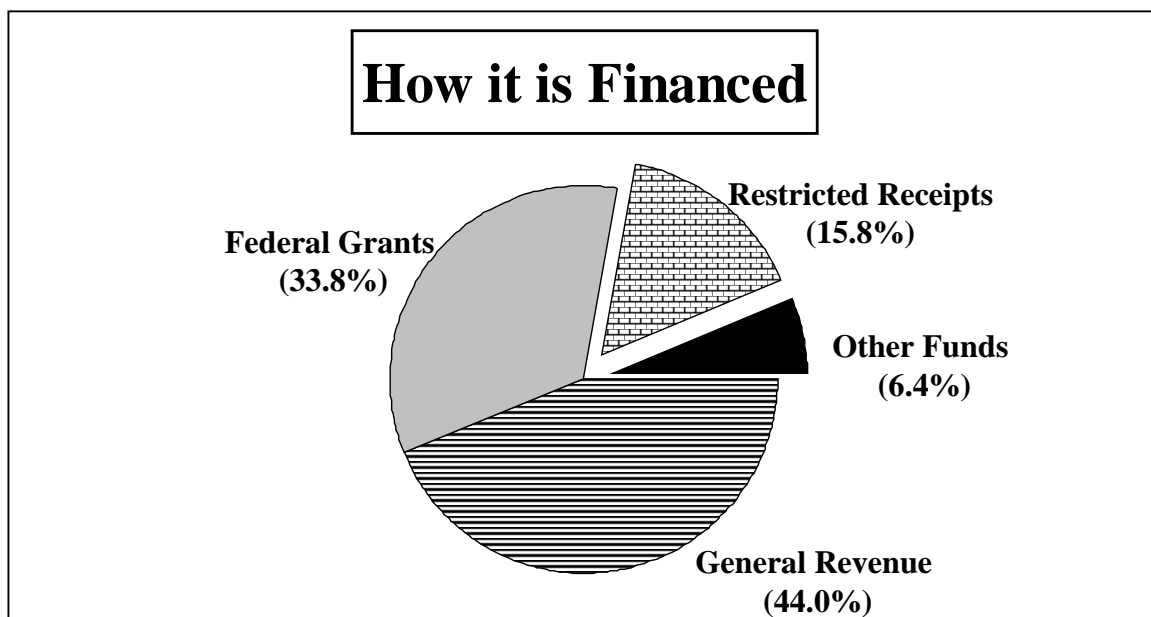
The FY 2005 revised recommendation from all funds for natural resource agencies is \$86.4 million, or \$6.0 million above enacted appropriations of \$80.4 million. General revenues increase by \$266,763 to \$35.7 million. Federal funds increase by \$3.6 million to \$31.6 million, attributable to carryover and new

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awards. Restricted receipts increase by \$601,879 to \$12.3 million, and other funds increase by \$1.6 million to \$6.7 million.

The Governor recommends total expenditures of \$89.3 million for natural resource agencies in FY 2006, an increase of 3.3 percent from the revised FY 2005 level of \$86.4 million. Fiscal year 2006 financing consists of \$39.3 million in general revenue, \$32.4 million in federal grants, \$11.5 million in restricted receipt revenues, and \$5.9 million in other funds. Of the expenditures recommended in FY 2006 for natural resource agencies, \$82.5 million, or 92.4 percent, is for the Department of Environmental Management, \$3.9 million, or 4.4 percent is for the Coastal Resources Management Council, and \$2.8 million, or 3.2 percent is for the State Water Resources Board.

The recommended FY 2006 general revenue appropriation for the natural resource function is 10.2 percent, or \$3.6 million, greater than the revised FY 2005 budget. The increase is primarily in the Department of Environmental Management in the amount of \$3.5 million, or 10.7 percent above the FY 2005 revised level. The increase reflects: statewide benefit and payroll adjustments; general revenue financing of \$2.0 million for the Rosehill Landfill Superfund Site in South Kingstown; \$1.0 million for implementation of a statewide water quality and pollution monitoring program; compensation for reduced federal and restricted receipt offsets; and financing for vehicle lease requirements. The Governor also recommends reorganization of the department to align planning functions with the Natural Resources Bureau, to include sustainable watershed activities in the Water Division, to move criminal investigation activities to the Enforcement Division, and to collect all environmental response activities in the Bureau of Environmental Protection. In Coastal Resources, general revenue financing is increased by \$57,392 to reflect personnel adjustments. The State Water Resources Board's general revenue financing increases by \$68,168 from the FY 2005 revised level, to reflect salary and benefit adjustments and the addition of legislative grant financing for the state's Rivers Councils.



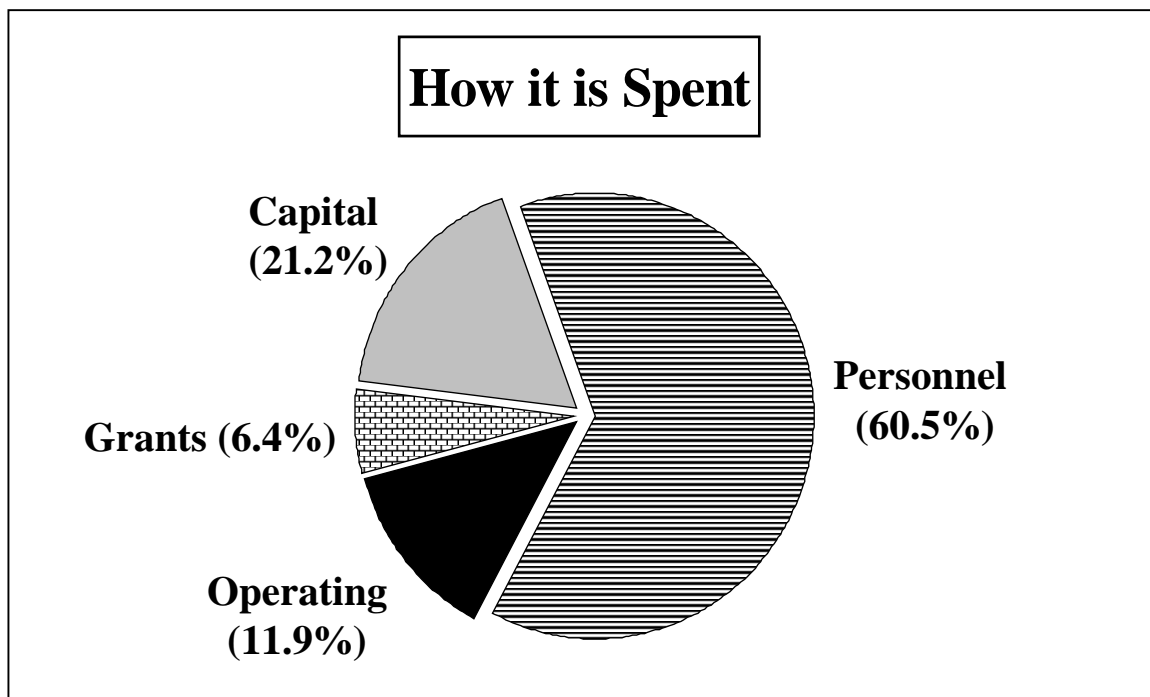
Federal funds for natural resource agencies increase by \$782,885 or 2.4 percent between the FY 2005 revised and the FY 2006 recommended budgets. Federal Funds are recommended at \$31.6 million in the

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revised FY 2005, and \$32.4 million in the recommended FY 2006 budget. The increase in federal financing of \$1.8 million in Environmental Management is attributable to the addition of financing for the federal portion of the Rosehill Superfund project, and increases for freshwater and marine fish monitoring grants, and for non-point source pollution abatement grants. Federal funds in Coastal Resources decrease by \$1.1 million, to reflect the current grant level of the Coastal Zone Management Program grant. In the Water Resources Board, federal funds remain unchanged from the FY 2005 revised level of \$500,000.

Restricted receipt expenditures in FY 2006 in the natural resource agencies decrease by \$843,337, or 6.8 percent, from the FY 2005 revised level. The decrease reflects diminished resources in the commercial shellfish, fishing license receipt, environmental response and water & air accounts in the Department of Environmental Management, and a decrease in operational support previously provided to the Water Resources Board by the Department of Health from federal Safe Drinking Water Act funds. Coastal Resources Management Council will receive \$250,000 for the Coastal and Estuary Habitat Restoration Trust and \$415,733 for the South Coast Habitat Restoration project from the Oil Spill Prevention, Administration and Response Fund.

Other funds expenditures for natural resources total \$5.9 million in the FY 2006 recommended budget, a decrease of \$714,553 or 10.7 percent, from FY 2005 revised levels. Other funds finance capital improvements and asset protection projects within the Rhode Island Capital Plan Fund and other third party financing resources. The Governor recommends RICAP projects for the FY 2006-2010 capital budget period including a new wharf for public access to Prudence Island as part of his Bay Islands Park initiative, dam and state pier rehabilitation projects, habitat restoration projects of the Coastal Resources Management Council, and the supplemental water supply and water allocation projects of the Water Resources Board.



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Of the \$89.3 million recommended for natural resources for FY 2006, personnel is budgeted at \$54.7 million, or 61.3 percent, operating at \$11.1 million, or 12.5 percent, capital improvements at \$16.6 million, or 18.7 percent, and \$6.7 million, or 7.5 percent, for assistance, grants, and benefits.

The Governor recommends total full-time equivalent positions of 576.7 FTE in FY 2005 and 576.1 in FY 2006 for the three natural resource agencies. Upward to 350 temporary positions may also be utilized for seasonal support at state parks and beaches.

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Department of Environmental Management

The Governor recommends revised appropriations of \$78.8 million in FY 2005 for the Department of Environmental Management, including \$33.0 million in general revenue, \$28.3 million in federal funds, \$11.2 million in restricted receipts, and \$6.2 million in other funds. The department's revised general revenue appropriation increases \$261,603, or 0.8 percent more than the FY 2005 enacted budget.

General revenue appropriations in the Policy and Administration program increase by \$177,512 to accommodate statewide personnel adjustments and current service requirements in the amount of \$31,149, addition of \$43,914 for lease and utility costs at the Foundry Building, and addition of \$90,388 for mid-year financing for Chairman and staff of the Governor's Coordination Team on Bays, Rivers and Watersheds. General revenues in the Natural Resource program increase by \$79,252 over the FY 2005 enacted level, including: \$63,894 for Parks operating and ground maintenance; \$29,400 for Enforcement overtime for the Tall Ships Festival in the summer of 2004; \$59,810 for vehicle lease requirements; and, \$50,000 to relocate the Enforcement division from the Park Street facility to the Foundry Building. These additions are offset by reduction of \$102,000 for the beach community revenue sharing requirement for the 2004 season, and removal of personnel financing from vacancy savings in the Associate Director and Coastal Resources divisions. In Environmental Protection, general revenue financing increases by \$4,839, attributable to vacancy savings of \$107,700 in Compliance & Inspections, and addition of \$50,000 for contamination clean-up activities at Bay Street in Tiverton, in combination with statewide personnel and benefit additions.

The Governor's revised FY 2005 budget recommendation for federal grant ceilings is \$28.4 million, which is \$2.9 million, or 11.7 percent, greater than the enacted level of \$25.4 million. Federal funds in Policy and Administration increase by \$459,015 to \$2.4 million, to accommodate increased federal award of \$159,015 for the One-Stop Reporting grant and \$300,000 for a new grant to study the Blackstone Watershed, in cooperating with the State of Massachusetts. In Natural Resources, federal financing is recommended at \$15.6 million, an increase of \$2.1 million above enacted levels, reflecting addition of \$664,444 to the enacted level of \$522,144 for Narragansett Bay Reserve Operations and carry-over of \$1.5 million for the RI Commercial Fisherman's Trust, which was expended in early FY 2005, instead of FY 2004. In Environmental Protection, federal funds increase by \$316,486 to \$10.2 million, to add \$255,153 to the expenditure level for the Groundwater 106 program, and \$82,000 for a new Auto Salvage grant.

Restricted receipt expenditures in the Governor's revised FY 2005 budget are \$157,745 more than the enacted amount of \$11.0 million, attributable to an increase of \$271,890 for personnel offsets to indirect cost recovery accounts, and decrease of \$210,000 from the Water and Air Protection restricted receipt account, reflecting current-year collections and prior-year audit adjustments. Trout Stamp financing increases by \$100,000, to \$315,210, for planned projects in the Fish and Wildlife Division.

Other fund financing in FY 2005 is \$6.2 million, or \$1.5 million greater than the FY 2005 enacted level of \$4.7 million, featuring an increase of \$559,845 to the enacted level of \$1.1 million for RICAP dam repair projects and an increase of \$962,433 to the enacted level of \$550,000 for repairs to the state piers at Galilee. Of the total increase, \$792,619 is carry-over balance from FY 2004.

For FY 2006, the Governor recommends appropriations of \$82.5 million for the department, including \$36.5 million in general revenue, \$30.2 million in federal grants, \$10.5 million in restricted receipts and

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\$5.3 million in other funds. The FY 2006 recommendation is \$3.8 million, or 4.8 percent, greater than the FY 2005 revised recommendation for all funds. Recommended general revenue appropriations are \$3.5 million more than the FY 2005 recommended level, federal expenditures are \$1.8 million greater, restricted receipts are reduced by \$658,835, and other funds in FY 2006 are \$929,475 less than the revised FY 2005 budget.

General revenues in the Office of the Director (formerly Bureau of Policy and Administration) decrease by \$1.3 million in FY 2006, attributable to reorganization of several divisions to other bureaus. Specifically, Planning and Development and Criminal Investigation are reassigned to the Bureau of Natural Resources, Sustainable Watersheds is relocated to the Bureau of Environmental Protection, and customer service personnel in Technical and Customer Assistance are moved from Bureau of Environmental Protection to the Office of the Director. These changes result in a net general revenue reduction of \$1.4 million in the Office of the Director. Other adjustments include addition of \$194,240 for Chairman and staff of the Governor's Coordination Team on Bays Rivers and Watersheds, offset by removal of \$75,634 in operating adjustments.

Federal funds in the Office of the Director decrease by a net of \$1.2 million in comparison to FY 2005 revised levels, reflecting \$1.2 million in various planning and development grants moved to the Bureau of Natural Resources as part of the reorganization, \$400,000 in the Homeland Security grant moved to the Bureau of Environmental Protection as part of that bureau's reorganization, and the addition of \$700,000 for the Blackstone Watershed Project grant. Restricted receipts in the Office of the Director decrease by \$1.2 million, attributable to the reassignment of the Oil Spill Prevention, Administration & Remediation account to a new environmental response effort in the Bureau of Environmental Protection. Indirect cost recoveries in the Office of the Director also increase by \$140,373 in FY 2006.

Adjustment to other funds in FY 2006 in the Office of the Director, a reduction of \$2.9 million from the FY 2005 revised level of \$2.9 million, relates to department reorganization, including the movement of the RICAP-Dam Project, Blackstone Bikepath Design and DOT recreational projects to the Bureau of Natural Resources.

In the Natural Resources program, general revenues increase by \$1.5 million over the FY 2005 recommended level of \$15.6 million. Most of the increase, or \$1.1 million, results from the reorganization of the Office of the Director as described above. Other changes include statewide adjustments for salary and benefit calculations, \$64,277 for grounds maintenance at the state's parks and beaches, \$80,979 to finance current service requirements in the wildlife and marine fisheries programs, and removal of \$100,000 from the host community revenue share account based on anticipated requirements. Another change as a result of the reorganization includes the placement of the Division of Coastal Resources within the Division Fish and Wildlife of the Bureau.

Federal funds in the Natural Resources division increase by \$930,221 from the Governor's FY 2005 recommended level of \$15.6 million, reflecting reassignment of \$3.0 million in various planning and development grants from the Office of the Director to the Bureau of Natural Resources (these grant awards increase by \$1.8 million over the FY 2005 level). Other increases include \$429,061 added to various freshwater and marine fish grants. Grant reductions include: \$148,171 in the animal health disease program grant; a decrease by \$101,395 in forestry grants; a \$279,830 reduction to the Narragansett Bay Window II grant; a \$230,113 reduction in wildlife grants based on expected award; and, reduction of \$210,000 from the Pollution and Fisheries Studies grant. In the RI Commercial Fisherman's Trust, \$1.5 million is removed from the base level in FY 2006, to reflect the end of this one-time grant

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award to the state. Total federal financing for the Natural Resources program is \$16.6 million in the Governor's FY 2006 recommendation.

Restricted receipts in the Natural Resource program decrease by a net of \$333,481, attributable to diminished resources in the Shellfish and Marine License Receipts account in the amount of \$454,353, reduction of fishing license receipt expenditures in the amount of \$147,056, and decrease of \$137,796 in Trout Stamps, based on requirements for eligible projects. Addition of \$450,000 in the Natural Heritage Revolving Fund relates to the reassignment of this account from the Office of the Director.

In Other Funds, Rhode Island Capital Plan financing increases by a net of \$2.0 million above the FY 2005 level, representing the movement of \$2.2 million of projects formerly listed in the Office of the Director, addition of \$985,000 for a new Bay Islands Park System project, and \$350,000 added to the Wickford Marine Facilities account, offset by reduction of \$1.4 million for the Galilee Piers project. The Governor recommends a total of \$5.2 million in Other fund financing in FY 2006.

In Environmental Protection, general revenue increases by \$3.4 million, including the addition of \$2.0 million to the base for the state-share financing of the Rosehill Superfund Project in South Kingstown. The state match to federal funds for this project were financed in FY 2005 from recoveries in the Environmental Response Fund which are no longer available in FY 2006. Also, the Governor's initiative for baseline water quality monitoring adds \$983,000 to the water division, including financing for 7.0 FTEs, laboratory services, equipment and operational expense. The program will provide real-time data to measure the affects of water pollution abatement projects to assess their efficacy, and also will identify the sources of existing and emerging water pollution problems on a statewide basis. Other additions include \$268,741 from the reassignment of Sustainable Watersheds from the Office of the Director to the Water Division, and other statewide personnel and benefit adjustments.

Federal funds in Environmental Protection increase by \$2.1 million over the FY 2005 recommended level of \$10.2 million, attributable to: addition of \$1.8 million for the federal share of the Rosehill Superfund Project; \$138,912 added to the Leaking Underground Storage Tank grant; increase of \$349,425 for various non-point source pollution grants; and the relocation of the homeland security grant in the amount of \$305,000 from the Office of the Director to Environmental Protection. These increases are offset by reduction of \$513,500 from the Air Toxic Monitoring project, to reflect available resources.

Restricted receipt financing in Environmental Protection increases by \$879,746 attributable to the relocation of the OSPAR account from the Office of the Director to this Bureau, resulting in addition of \$1.8 million, offset by reduction in the combined amount of \$826,102 in the Environmental Response fund and the Water and Air account, reflecting reduced collections in those accounts. The underground storage tank account is also reduced by \$118,382 based on expected collection rates.

The Governor recommends 538.7 FTE positions in FY 2005 and 538.1 FTE positions in FY 2006.

Coastal Resources Management Council

In the revised FY 2005 budget, the Governor recommends appropriations for the Coastal Resources Management Council of \$4.5 million. This includes \$1.5 million of general revenue, \$2.8 million of federal funds, and \$250,000 in restricted receipts. Personnel and operating expenditures decrease by \$7,875, while purchased services increase by \$14,987 due to the legal costs relating to the Palazzolo case,

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and to revised current service estimates for clerical services. The net general revenue increase from the enacted budget is \$7,124. Federal funds increase by \$687,511 for both continuing program operations and special activities. Among the latter are URI contracts for Bay Shoreline mapping, Greenwich Bay harbor guide and geologic mapping, the publication of a public access guide and preparation of a Special Area Management Plan for the Providence harbor. The increase also includes \$131,511 in unspent FY 2004 funds. Restricted receipt expenditure for the Coastal and Estuary Habitat Restoration Program and Trust Fund is unchanged at \$250,000 from the Oil Spill Prevention, Administration and Response Fund.

In the FY 2006 budget, the Governor recommends appropriations of \$3.9 million. Of this amount, \$1.5 million is financed with general revenue, \$1.8 million is financed from federal funds, and \$665,733 is financed from restricted receipt funds. General revenue funds increase by \$57,392 compared to FY 2005 revised levels, reflecting statewide and agency-specific benefit and payroll adjustments. Federal funds decrease by \$1.1 million, reflecting the current grant level in the Coastal Zone Management Program with no balance forward funds. The Governor recommends appropriations of restricted receipts from the Oil Spill Prevention, Administration and Response Fund in FY 2005 and FY 2006 of \$250,000 for the Coastal and Estuary Habitat Restoration Program and Trust Fund. The Governor also recommends restricted receipt expenditure of \$415,733 in FY 2006 for the South Coast Restoration project, to dredge breachways and tidal deltas for habitat restoration, beach replenishment, and fish restoration efforts.

The FTE position level for the council is unchanged at 29.0 for FY 2005 and FY 2006.

State Water Resources Board

The Governor recommends revised expenditures for the Water Resources Board of \$3.1 million for FY 2005, including \$1.2 million of general revenue, \$500,000 of federal funds, \$939,134 of restricted receipts and \$504,390 of RICAP funds. This reflects an increase of \$454,497 from enacted levels. The addition consists of a decrease of \$1,952 in general revenue, and an increase of \$444,134 for projects financed from the Rhode Island Capital Plan Fund. The decrease in general revenue is attributable to vacancy adjustments, offset by additions for lease requirements, operating expenses and lead inspections of the homes and structures in the Big River Management Area. The increase in restricted receipts is required to continue the Water Allocation Plan and Supplemental Water Supplies projects.

The Governor recommends FY 2006 expenditures of \$2.8 million, a decrease of \$317,145, or 10.0 percent, from revised FY 2005 levels. General revenue expenditures are budgeted at \$1.3 million, an increase of \$68,168 from FY 2005 adjusted levels. The majority of this increase is due to statewide salary and benefit adjustments, and the addition of legislative grant financing for the State's Rivers Councils, as designated during the 2004 legislative session. Federal funds are provided in the amount of \$500,000 based on grant award amounts from the Natural Resource Conservation Service, to be used for study and modeling of the Pawcatuck River Basin. Restricted receipt financing is available in the amount of \$338,899, resulting from carry-over balances and new allocations by the Department of Health, for continuing work on the Supplemental Water Supply Study and the Water Allocation Plan. Other fund financing is \$719,312 in FY 2006, including \$119,312 for improvements to structures at the Big River Management Area, \$400,000 for the Water Allocation Plan, and \$200,000 for the Supplemental Water Supply Study. The Governor recommends 9.0 FTE positions in FY 2005 and in FY 2006.

Transportation

Transportation

Summary

Transportation includes road and bridge construction and maintenance, mass transit, and planning activities of the Department of Transportation. In FY 1994, the state established the Intermodal Surface Transportation Fund (ISTF), to provide financing for transportation expenditures from dedicated user-related revenue sources. This dedicated highway fund establishes a direct relationship between transportation project financing and the end-users of the projects, with a stable revenue stream capable of financing the projects on a pay-as-you-go basis. For both FY 2005 and FY 2006, the Governor recommends 811.7 FTE positions for the Department of Transportation.

The Intermodal Surface Transportation Fund is supported by the state's thirty-cent per gallon gasoline tax. Gasoline tax receipts finance operating and debt service expenditures of the Department of Transportation (DOT), as well as specific portions of transportation-related expenditures of the Rhode Island Public Transit Authority (RIPTA) and the Department of Elderly Affairs (DEA).

The revenue generated by the state's gas tax is allocated to these recipients on an individual cent basis. State law governs the amount of cents that are to be distributed to the agencies as well as the general fund. The anticipated current and upcoming fiscal year revenue collection for the gasoline tax is established at each Revenue Estimating Conference. The Conference estimates gas tax collections on a cent per gallon revenue yield. This yield is the basis for the development of budgets for the various gas tax supported operations.

Since the inception of this funding mechanism for transportation activities, there have been numerous revisions to the allocation plan. Each change has been initiated in order to direct more revenues direct to DOT operations rather than to the general fund. The last change to the disbursement schedule was in the FY 2004 enacted budget and increased the DOT allocation by one-fourth of one cent and RIPTA's share by six-tenths of one cent. These increases were offset by a reduction in the allocation of gas tax directed to the general fund. In the FY 2006 proposed budget, 28.0 cents of the total 30.0-cent per gallon State gasoline tax (93.3 percent) was dedicated to transportation related activities.

Current Law Gas Tax Allocation (in cents)

<u>Recipient</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
DOT	18.0	19.5	20.5	20.5	20.75	20.75	20.75
RIPTA	5.5	5.75	6.25	6.25	6.85	6.55	6.25
General Fund	3.5	1.75	0.25	2.25	1.4	2.0*	2.0
DEA	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Total:	28.0	28.0	28.0	30.0	30.0	30.0	30.0

**Average rate for year.*

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The majority of funding for Rhode Island transportation and highway construction spending is provided through the Federal Highway Administration (FHWA), under the authority of the Transportation Equity Act for the 21st Century (TEA-21). This act, passed in June 1998, authorized funds for highway construction, highway safety programs, mass transit operations, and other surface transportation projects for the following six years. Under this program, Rhode Island receives an average of \$165.0 million per year. The act combines the improvements scheduled for current programs with new initiatives for improving transportation safety and traffic flow efficiency, enhancing communities, and advancing economic growth.

The DOT Highway Improvement Program (HIP) includes highway and intermodal projects that utilize federal funds administered by the FHWA, and highway transportation infrastructure projects financed by state funds (gas tax and bonds). The HIP implements DOT's capital program as identified in the state's Transportation Improvement Program (TIP). The TIP is a listing of transportation projects that the state plans to finance over a six-year period from federal highway funds. The Federal Highway Administration requires that all projects utilizing federal funds shall appear in a TIP adopted by the State Planning Council and approved by the Governor.

In Rhode Island, the TIP is the product of extensive public outreach to all communities, public interest groups, and citizens throughout the state by the agencies involved in transportation planning and project implementation. Following extensive public solicitation for the current TIP, highway projects are selected by a twenty-six member public body, known as the Transportation Advisory Committee (TAC), using criteria based on five major categories: mobility and benefits; cost effectiveness; economic development impact; environmental impact; and agreement with local and state goals and plans. Certain projects are reviewed by special public committees prior to selection for the TIP by the TAC. The transportation air quality subcommittee, assisted by DOT staff, conducts a solicitation and evaluation of Congestion Mitigation and Air Quality (CMAQ) proposals. A TAC subcommittee reviews new bicycle/pedestrian projects, and a DOT advisory committee solicits and evaluates application for funds earmarked in TEA-21 for Transportation Enhancement activities.

The DOT Highway Improvement Program and Transportation Improvement Program emphasize the Governor's priorities for maintaining Rhode Island's existing transportation infrastructure after years of under-investment in preventive maintenance.

FY 2004 marked the beginning of a major effort on the part of Rhode Island government to address the rebuilding and modernization of the state's transportation systems. In November 2003, the state issued \$269.8 million, as the first series in a bond program that will generate \$660.5 million in construction funds (including bond proceeds of \$649.3 million and interest earnings thereon) for five major infrastructure projects. This undertaking will be financed through two funding mechanisms. The majority of the costs (\$544.4 million) will be provided through Grant Anticipation Revenue Vehicle bonds (GARVEE). GARVEE represents a program approved by Congress that allows states to borrow funds, which are backed and repaid by the annual allocation of Federal Highway Administration construction funds. The first bond series provided \$229.5 of these funds for deposit in the construction fund. A supplemental revenue bond issue, secured by two-cents of the department's gasoline tax allocation, will provide another \$114.0 million to this infrastructure initiative. The first series of motor fuel tax revenue bonds, also issued in November 2003, provided \$49.2 million for deposit into the construction fund. The projects being financed under this program are the I-195 Relocation, Washington Bridge Reconstruction, a new Sakonnet River Bridge, and the Quonset Rt. 403 construction, plus amounts for completion of the Freight Rail Improvement Program. The debt service on the GARVEE bonds (starting in FY 2005), to be paid through the FHWA allocation, is

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\$41.8 million. The gas tax revenue supported debt service on the Motor Fuel Tax revenue bonds dedicated to the trust account is estimated to be \$9.6 million in FY 2005 and \$9.6 million in FY 2006. Unlike general obligation debt service costs that are budgeted in the Department of Administration, these new debt service payments will be reflected in the DOT operating budget.

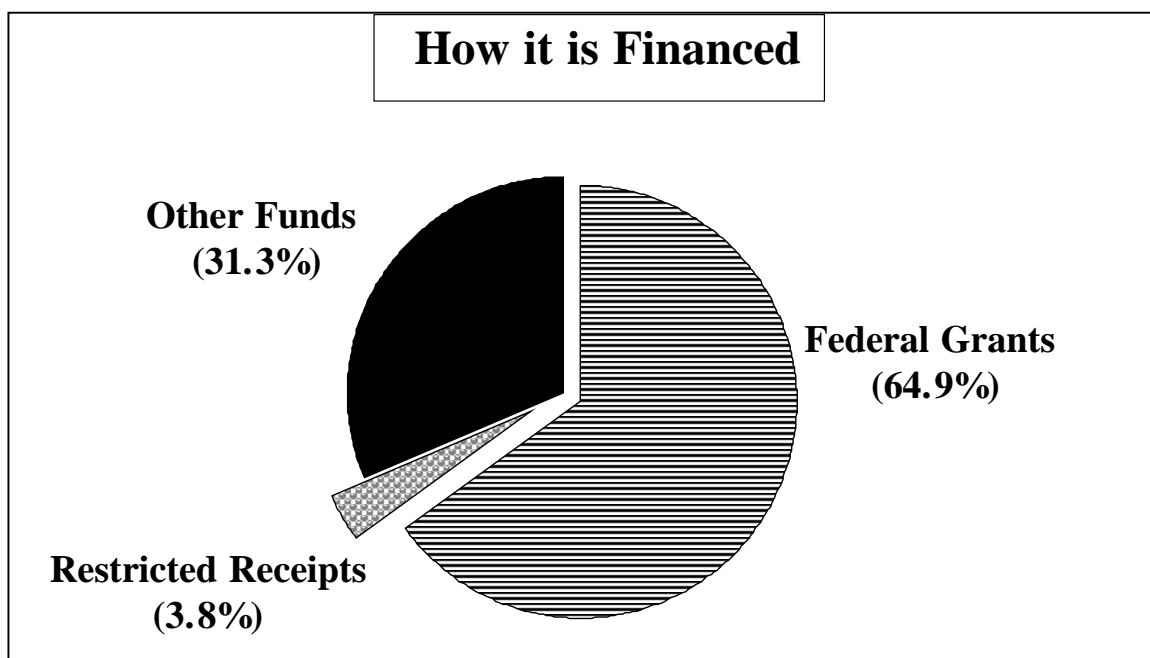
The revised FY 2005 budget for DOT includes the availability of \$640,582 in gasoline tax revenue over the enacted budget. This represents the savings related to final gas tax funded general obligation debt service costs. The revised FY 2005 budget also reflects the reallocation of resources to address anticipated and reasonable winter maintenance expenses.

For FY 2005, the total amount of gas tax revenue estimated for the ISTF is \$133.8 million. The allocation of this revenue includes \$99.2 million to the Department of Transportation, \$29.9 million to RIPTA, and \$4.78 million to the Department of Elderly Affairs. These figures are based upon an estimated yield of \$4.78 million per each cent of the State's gasoline tax. Projected transfers to the Department of Administration to finance transportation related general obligation bond debt service costs total \$583,045 for RIPTA and \$34.0 million for DOT.

For FY 2006, the total amount of gas tax revenue estimated for the ISTF is \$134.4 million. The allocation of this revenue includes \$99.6 million to the Department of Transportation, \$30.0 million to RIPTA, and \$4.8 million to the Department of Elderly Affairs. These figures are based upon an estimated yield of \$4.8 million per each cent of the State's gasoline tax. In addition, the Department will have cash balances available from prior years totaling over \$3.1 million. Projected transfers to the Department of Administration to finance transportation related general obligation bond debt service costs total \$705,285 for RIPTA and \$36.1 million for DOT.

In FY 2006, recommended expenditures from all sources for transportation activities total \$308.8 million.

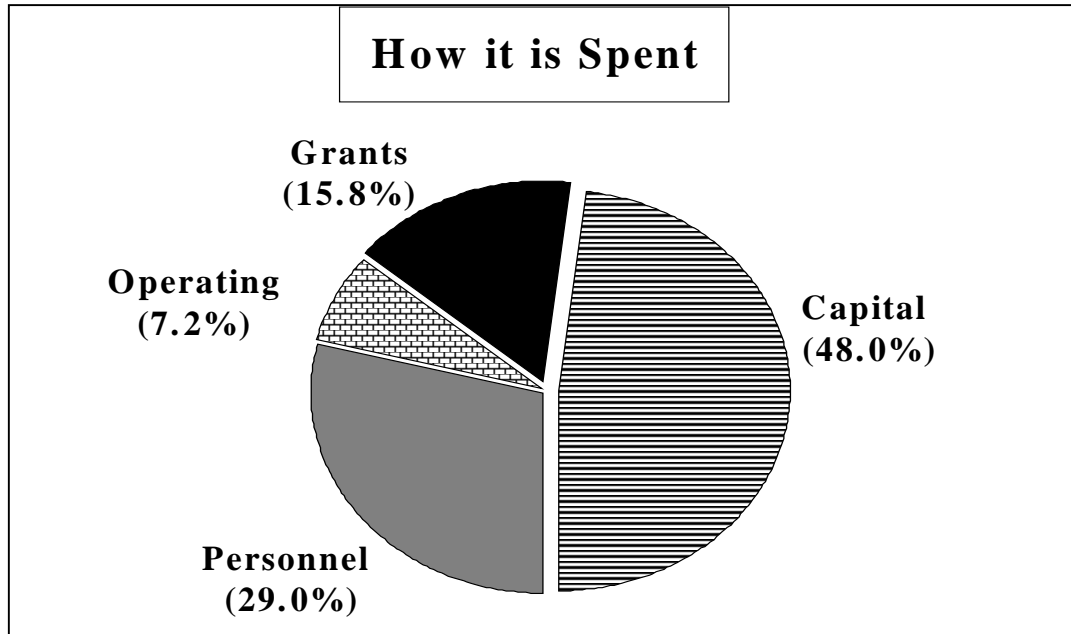
The following chart illustrates the sources of financing for these expenditures.



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Other/Gasoline Tax Funds total \$100.9 million, or 32.7 percent, of the expenditures for the Transportation function in FY 2006. For this source, \$26.2 million supports personnel costs, \$22.4 supports operating costs, \$29.3 million provides operating assistance for RIPTA, \$13.3 million is allocated to infrastructure maintenance, repairs, and construction, and \$9.6 million is allocated to debt service costs related to the motor fuel tax revenue bonds. In FY 2006, federal funding totals \$207.9 million. This equates to 67.3 percent of the total transportation operating budget. Federal Highway Safety funds totaling \$9.6 million support grants to municipalities and other activities that promote highway safety programs.

In FY 2006, the department will continue to emphasize road and bridge rehabilitation and construction,



support of mass transit services, and planning for both highway and mass transit operations. Through the Maintenance Program, the department dedicates funds to the preservation of road and bridge assets. These activities include pavement resurfacing, crack sealing, pothole repair, street and sidewalk sweeping, signage, highway light maintenance, and bridge washing. Snow and ice removal operations also fall under the management of this program. The recommended Maintenance budget for FY 2006 is \$42.3 million. This recommendation represents an increase of almost \$1 million over FY 2005.

The Engineering program, which totals \$251.1 million in FY 2006, finances personnel in public works, real estate, research and technology, construction, design, materials, and intermodal planning sections. RIPTA's portion of the state gasoline tax, totaling \$29.3 million, plus federal mass transit grants are also appropriated within this program. Total spending for Engineering consists of \$52.9 million in gasoline tax/other revenue, and federal appropriations of \$198.2 million. Included in the Engineering program is \$4.0 million in estimated revenue from the sale and/or lease of DOT properties. This revenue, along with \$30.0 million in general obligation bond funds, is utilized to meet matching requirements to federal funds provided under TEA-21. Additionally, the debt service costs associated with the GARVEE/Motor Fuel Revenue Bonds program will be reflected in this program. For FY 2006, The motor fuel revenue bond debt service will be equal to the value of two cents of the DOT gas tax allocation. This equates to \$9.6 million. The FHWA funded debt service is \$41.8 million.

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The continued emphasis towards a more balanced multimodal transportation system extends to statewide mass transit programs. As noted above, operating assistance of \$29.3 million to the Rhode Island Public Transit Authority will be financed from a 6.25-cent allocation of the gasoline tax. Not recorded in the DOT budget is \$14.1 million in enhanced funding directed to RIPTA from Department of Human Services accounts for Medicaid client transit passes, which will augment RIPTA's FY 2006 financial plan. Another cent of the gas tax not included in the Department of Transportation budget, supports the efforts of the Department of Elderly Affairs to streamline and enhance elderly and handicapped transportation services. Much of this allocation is transferred to RIPTA to underwrite pass programs for the elderly, and to finance compliance costs statewide associated with Americans with Disabilities Act requirements.

Five-Year Financial Projection

FY 2006 – FY 2010 Overview

This Five-Year Financial Projection has been prepared pursuant to Section 35-3-1 of the Rhode Island General Laws, which requires that the Budget Officer:

- (6) Prepare a five year financial projection of anticipated general revenue receipts and expenditures, including detail of principal revenue sources and expenditures by major program areas, which projection shall be included in the budget submitted to the general assembly pursuant to subsection 35-3-7.

The five-year projection includes tables that present anticipated revenues and expenditures during the five fiscal years ending in June 2010. Tables which detail planning values are also included. The planning values reflect policy assumptions as well as economic and demographic forecasts.

The purpose of the five-year forecast is to provide a baseline fiscal outlook for the State of Rhode Island. Although the forecast may be utilized as a benchmark in assessing the affordability and desirability of alternative policy options, caution should be exercised in the interpretation of the forecast.

The economic forecast was developed by the principals of the November 2004 Revenue Estimating Conference with input from the consulting economists at *Economy.com* and *Global Insight* and respective staff. This forecast truly serves as a “best guess” as to the future path of the Rhode Island economy since no formal economic model was employed by the conferees in arriving at the forecast. A detailed analysis of the conferees near-term economic forecast for the State is contained in ***The Economy*** section of this document. In that section, particular attention is paid to how the state fared relative to the other New England states during the past calendar year with respect to non-farm employment and personal income growth. In addition, a brief comparison of the actual economic performance of the State against the economic forecast contained in the FY 2005 budget is undertaken. Finally, the FY 2006 economic forecast is presented and it is contrasted with the economic forecast that was made for the FY 2005 budget with particular attention being paid to why and to what extent the current forecast was revised from the previous one.

The economic outlook presents the greatest risk to the economic forecast. Of particular note, the performance of the U.S. economy in its recovery phase will have a substantial impact on the performance of the Rhode Island economy. As the U.S. labor market strengthens, and begins to add jobs at an accelerating rate, the Rhode Island economy will be able to achieve employment growth rates during the FY 2005–FY 2007 period in excess of the 1.1 percent growth rate attained during FY 2004. Growth in Rhode Island personal income will remain constrained over this same period until economic recovery takes a firmer hold in Massachusetts and, to a lesser extent, Connecticut. Finally, oil prices are a considerable risk to the U.S. macroeconomic and Rhode Island forecasts. The November 2004 Consensus Economic Forecast (CEF) is based on a long run equilibrium price for oil of approximately \$35 per barrel. Rhode Island’s economic performance is very dependent on the cost of energy with sustained elevated energy prices being a large negative for the State. Conversely, sustained depressed energy prices would be a potential boon to the State’s economy.

An upside risk to the forecast is attributable to the capital investments that were approved by the State’s voters in November 2005. These investments include the \$48.0 million infrastructure bond for the Quonset Point/Davisville Commerce Park and the \$50.0 million construction bond for the Center for Biotechnology and Life Sciences at the University of Rhode Island. A complete assessment of these investments requires one to calculate the direct, as well as the indirect, effects on the State’s economy.

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These capital investments are designed to provide Rhode Island with the necessary infrastructure and human resources to foster greater economic development in the state. Unfortunately, projecting the ancillary effects of such capital investments on employment and personal income is not a simple task. Typically, the value-added of such capital investments are known ex post and thus these types of projects are better suited to “scorecard” type assessments of effectiveness. In the five-year revenue projections, the beneficial effects associated with these capital investments (i.e., increased personal and corporate income tax collections that result from increased employment in the effected industries) are not directly captured.

A final risk to the forecast involves the actions of other economic agents over which the State has no control. These agents include neighboring states and the Board of Governors of the U.S. Federal Reserve System (the Fed). The fiscal policies of neighboring states can potentially have a disproportionate impact on Rhode Island’s small open economy. For example, an increase in Massachusetts’ effective business taxes could provide Rhode Island with a competitive advantage vis-à-vis Massachusetts, ceteris paribus, and give the State’s economy an unexpected boost. Conversely, a decrease in Massachusetts’ effective business taxes could have the opposite impact on the State’s economy. Either way, these types of external policy choices are not explicitly incorporated in the five-year forecast. This is in contrast to the future actions of the Fed, which are incorporated into the November 2004 CEF. The risk here is that the anticipated actions of the Fed, especially with respect to the rate at which monetary policy is tightened, are substantively incorrect. Such deviations could have an adverse impact on the State’s construction industry and housing market, two primary drivers of the Rhode Island economy.

The five-year revenue forecast makes substantive assumptions concerning the Rhode Island Lottery’s required transfer to the general fund. First, the five-year forecast includes the addition of the 459 video lottery terminals (VLTs) that have been authorized for, but not installed at, Lincoln Park. Lincoln Park is currently undertaking a significant remodeling of the pari-mutuel area of its facility in order to accommodate the installation of these machines. This remodeling is to be completed by May 2005 with the additional 459 VLTs installed shortly thereafter. The five-year forecast assumes that the revenue impact of these additional VLTs will be realized in FY 2007 (since the adopted FY 2006 revenue estimate did not take these into account). According to published reports, the incremental revenue to the State of these additional VLTs will be \$20.0 million. It is assumed that this incremental value will grow by the baseline growth for all VLTs installed at Lincoln Park. The additional 281 VLTs that have been authorized for, but not installed at, Newport Grand are not in the five-year forecast. The installation of these new VLTs requires that Newport Grand build a structure to house them. At this point in time, Newport Grand has not been willing to undertake this construction without having a long-term contract with the State that will guarantee their percentage allocation of the net terminal income generated by the VLTs installed at their facility. The five-year revenue forecast does incorporate the State’s share of the net terminal income generated from the 1,085 additional VLTs that were installed in the past two years.

Second, the five-year revenue forecast does *not* include any potential revenue impact, positive or negative, to be derived from the possible construction of a destination resort casino anywhere in the State of Rhode Island. Given the Governor’s strong opposition to the establishment of a resort casino in Rhode Island within the next five fiscal years, the prudent course is to assume the status quo with respect to the sources of State gaming revenues. Finally, the five-year revenue forecast does *not* take into account the possible revenue impacts of either the introduction of video lottery terminals at Massachusetts’ four pari-mutuel facilities or the construction of two casinos in Massachusetts. The five-year revenue

FY 2006 – FY 2010 Overview

projections for The Lottery's transfer to the general fund are dependent on the actual events that transpire with each of these unknowns and, as a result, the revenue projections contained herein could differ considerably in the future. The forecast assumes declining growth rates in VLT revenues reflecting some level of gaming market saturation.

The five-year projection does include the revenue impact of the Governor's proposal to impose a \$0.05 per gallon tax on aviation gasoline and aviation jet fuel. The \$0.05 per gallon aviation fuel tax is estimated to yield \$2.1 million in general revenue in FY 2006. In addition, the five-year projection also includes the proposal in the Governor's FY 2006 Budget to repeal the exemption from the insurance companies gross premiums tax for Beacon Mutual Insurance's workers compensation policies. The repeal of this exemption is expected to generate \$3.1 million in insurance companies gross premiums taxes in FY 2006. Finally, the proposal in the Governor's FY 2006 budget to increase select Division of Motor Vehicle license and other fees is also included in the five-year revenue forecast. This proposal is projected to raise motor vehicle fee revenues by \$1.5 million in FY 2006.

The five-year forecast does account for the impact of the State's Historic Preservation Tax Credits program which came into effect for tax year 2002 but the initial impacts of which did not surface until tax year 2003 (i.e., FY 2004). At the November 2004 Revenue Estimating Conference (REC), the principals based their estimates of revenues foregone on the \$148.8 million in credits already issued or eligible to be issued as estimated by the Historic Preservation and Heritage Commission (HP&HC) as of November 4, 2004. The \$148.8 million figure reported by the HP&HC was \$13.9 million greater than the amount of potential eligible credits HP&HC reported in April 2004. It should be noted that the volume of potential eligible credits is likely to grow in the future. The conferees of the November 2004 REC estimated the spread of these credits across personal income taxes, business corporations taxes, and insurance companies gross premiums taxes. The principals estimated \$38.0 million less in revenues in these three categories in FY 2005 and FY 2006. The table below shows the spread of the credits as estimated at the November 2004 Revenue Estimating Conference.

Nov 2004 Estimate	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Income	\$1.17	\$12.00	\$12.00	\$21.00	\$20.00	\$9.00	\$9.00
Business Corporations	–	1.00	1.00	2.00	2.00	1.00	1.00
Insurance Companies	3.10	6.00	6.00	11.00	9.00	5.00	5.00
Total	\$4.27	\$19.00	\$19.00	\$34.00	\$31.00	\$15.00	\$15.00

Finally, beginning in FY 2005, income on bond proceeds and monies received by the Depositors' Economic Protection Corporation from any source are now included as general revenue. Also, the value of the hospital licensing fee, an assessment that requires annual renewal, is included in the five-year revenue forecast for FY 2006 through FY 2010. The value of the hospital licensing fee is assumed to grow at the rate of hospital care expenditure growth as determined by the Centers for Medicare and Medicaid Services (CMS) over this period.

Expenditure side risks must also be noted within the five-year projection. One of the greatest expenditure side risks relates to medical services inflation, utilization, and technological change. Beneficial changes in medical technology and the resultant change in utilization of medical services are especially difficult to forecast. These factors are particularly influential, since a significant part of the budget is driven by medical costs and since costs have been accelerating at a rapid rate. While costs for medical care will continue to be an underlying driver of state personnel costs in the forecast, it is assumed that there will be

FY 2006 – FY 2010 Overview

a deceleration in the rate of growth through fiscal 2010. The forecast assumes that state employees will accept the Governor's proposal to share in the cost of medical insurance premiums.

Potential changes in employee contracts represent yet another significant unknown factor in the five-year expenditure forecast. Most union contracts expired at the close of fiscal 2004. Spiraling health care costs will obviously play a significant role in discussions with union membership, as will cost of living adjustments (COLA). The projections assume that a 2 percent COLA will be provided in fiscal years 2005 through 2007. The final three years of the projection assume COLAs that equal the rate of increase in the CPI. Step and longevity increases also contribute to the rising costs of salaries and fringe benefits.

Due to the rising costs for medical care and the anticipated reporting standards to be issued by the Governmental Accounting Standards Board (GASB) for Other Post Employment Benefits (OPEB), the state has commissioned an actuarial study evaluating the accrued actuarial unfunded costs for the retiree health benefits program. Under the anticipated new reporting requirements the state will be required to reflect any accrued actuarial unfunded costs on its financial statements by fiscal year 2008. As anticipated these costs will have significant long-term implications for the state's finances. In fact, the annual actuarially-based employer contribution for retiree health costs would increase from a projected \$16.2 million in fiscal 2006 to \$45.1 million in fiscal 2010 and have been incorporated in the five-year projection.

Another significant risk is the annual employer contribution required to be made to the State Employees Retirement fund on behalf of state employees and teachers. Based upon the Governor's proposal to modify the plans benefits for non-vested and new employees, the employer contribution rates are anticipated to increase from an estimated 14.83 to 19.36 percent of payroll from FY 2006 to FY 2010.

Another expenditure side risk involves demographic shifts such as the aging of the baby-boomer population which will present a greater need to enhance and expand the infrastructure for elderly care towards the end of the five year horizon. The growth in the prison population also poses substantial risks for both operations costs and capital infrastructure needs. The projection assumes that future inmate population growth will quickly decelerate to reflect recent historical averages. The accuracy of this assumption will ultimately rest upon the success of efforts to create efficiencies in the criminal justice system and efforts to modify sentencing policy in the Judicial branch towards greater community-based versus institutional-based sentencing, as well as the exploration of early release options.

The five-year projection anticipates average annual revenue growth of approximately 5.0 percent beyond the budget year, based upon the November 2004 Revenue Estimating Conference forecast for the Rhode Island economy. The forecasts used here do not assume any significant downward swings in the economy. Personal income is forecast to grow at an annual rate of 4.2 percent, employment at 0.9 percent, and wage and salary disbursements at 4.4 percent. These variables and other assumptions are shown in the tables that follow.

The expenditure-side of the budget is estimated to increase at an average annual rate of 5.59 percent from the FY 2006 base to FY 2010. Inflation however, as measured by the CPI, is expected to grow at an annual rate of 2.05 percent. A number of factors are responsible for the rate of growth above inflation. A brief explanation is provided below, followed by a more detailed discussion for each of the major categories of expenditure.

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The largest factor in overall spending growth is anticipated to occur in the category of grants and benefits. Expenditures for grants and benefits are expected to expand by approximately \$303.0 million, driven primarily by growth in Human Services Managed Care and Medicaid Services. The Percentage growth in this total category of expenditure is projected to average 6.5 percent and is largely driven by an assumed percentage increase in Managed Care of 10.4 percent a year over this same time period. A major risk to the forecast relates to the impact, on the State, of changes to the Medicare Part D pharmaceutical program which was enacted by Congress last year. The impact of the clawback provisions on the State, for dually eligible Medicaid and Medicare clients, are still unclear and regulations have not yet clarified the impact.

The next largest dollar increase in overall spending is anticipated to occur in state operations costs - \$216.3 million, followed by local aid - \$190.0 million. However, it is capital costs that are anticipated to display the largest percentage change over the forecast horizon with growth averaging 12.5 percent annually. Capital costs are expected to increase by \$35.5 million from FY 2006 - FY 2010. This unusual rate of increase reflects the significant debt service requirements associated with financing of the Juvenile Training School, Kent County Courthouse, Traffic Tribunal, and the debt service on new general obligation bond issuances.

Given the FY 2006 budget base, expenditure side growth is anticipated to exceed revenue growth in each of the out years projected. This results in operating deficits in each year, that range in value from a high of \$110.5 million in fiscal 2008 to \$96.6 million in fiscal 2010. In percentage terms, the deficits are projected to total 3.0 percent of spending in fiscal 2007, increasing to 3.2 percent in FY 2008 before declining to 2.5% by the end of the projection period.

Personnel and Other Operations

The wage projections contained in the personnel estimates assume that a 2 percent COLA will be provided in fiscal years 2005 through 2007. The final three years of the projection assume COLAs that equal the rate of increase in the CPI. In addition, step increases, longevity increases and educational incentives add 1.7 percent annually to the estimated salary and fringe benefit costs and have been incorporated into the analysis. Historically, the forecasted growth relating to these later items has been a higher percentage, but as the work force ages and a greater proportion of the workforce reaches retirement age, a smaller proportion of the work force is eligible for step or longevity increases.

The forecast reflects the Governor's proposal for medical benefit cost sharing. The five-year forecast assumes that state employees who earn in excess of \$35,000 annually and those employees with individual, as opposed to family coverage, would contribute 5 percent of the premium in fiscal 2005, 10 percent in FY 2006 and 15 percent in fiscal 2007 and thereafter. Employees with family coverage who earn less than \$35,000 would contribute 3 percent in FY 2005, 6% in FY 2006, 9% in FY 2007, 12% in FY 2008 and 15% in FY 2009. This would significantly reduce the growth in net employer costs in the out years and result in the employer contribution totaling 85% of total costs by FY 2010.

As noted above, the Governor's proposal relating to the retirement plan results in employer contribution rates, for the state employees retirement system, that are anticipated to increase from 14.83 percent in fiscal 2006 to 19.36 percent in fiscal 2010. These rates have been reflected in the projections, with costs expected to increase from \$53.4 million in fiscal 2006 to \$81.8 million by fiscal 2010.

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Finally, the personnel projections reflect the actuarially determined annual employer contribution that would be required to amortize the unfunded liability with respect to retiree health benefits. Based upon the study, this rate would be equal to 8.57 percent of payroll. The projections assume implementation in fiscal 2008 and result in costs of \$41.8 million, an increase in the state's total contribution for this expenditure category of \$23.1 million in that year.

As shown in the expenditure tables, additional staffing is assumed to be required due to estimated caseload growth in the Department of Children, Youth and Families and the Department of Corrections. This increases the overall state personnel requirements in order to finance these additional staffing needs.

Upcoming contract negotiations are not assumed to alter other statewide staffing requirements during the five-year horizon.

Caseloads in the Department of Children, Youth and Families are projected to grow 8.6 percent from the fiscal 2006 base. When combined with cost inflation, this growth increases personnel and operating expenditures by \$10.2 million and payments for provider services by \$17.2 million during the FY 2006 - FY 2010 period. The projections are based upon an analysis of actual caseload growth trends since FY 1994 and reflect an annual average growth rate of 2.1 percent. Caseload growth translates directly into increased costs for support services, and both contracted and purchase-of-service placements.

Projections of inmate growth for the Department of Corrections are also a key determinant in projecting statewide staffing needs. Although the inmate population grew at an average rate of 3.4 percent per year from FY 1990 to FY 1996 overall, growth slowed after 1996 to 1.3 percent per year. Although in FY 2003 inmate population rose again by 6.9 percent, the FY 2004 population increased to a peak of 3,638 in September 2003 but fell to a FY 2004 year-end average of 3,554. The population has since declined to 3,226 in December 2004. This is in part due to the loss of federal detainees, beginning in February 2004, to other federal and state facilities. From 112 in October 2003, the number of federal detainees has declined to 7 in November of 2004. Other potential contributing factors include changes in court sentencing practices (the Intake Service Center sentenced population has declined by 32.4 percent from July to November) and the increased use of alternative punishments such as home confinement (up 15.0 percent in FY 2004) and diversion to treatment centers (the awaiting trial population at the ISC has declined by 15.7 percent from July to November).

The Department of Corrections has contracted with JFA Associates of Washington D.C to provide a multi-year forecast of the State's adult inmate population. This model suggests a 2.8 to 3.0 percent growth rate in sentenced inmates and a 2.8 and 2.0 percent growth rate for awaiting trial inmates for FY 2005 and 2006 respectively. These rates would produce an inmate estimate of 3,603 inmates in FY 2005 and 3,704 inmates in FY 2006. These figures, however, do not correspond with the latest figures noted above. The Budget Office and the Department, taking into consideration that the model's forecasting strength is in long-term (five to ten year) trends, have recommended a far lower estimate for the base year of 3,377 inmates in FY 2005, which is largely predicated upon the 3,226 inmate December figure. For FY 2006, the Budget Office has added personnel to expand the Office of the Public Defender's Defendant Advocacy Program to Kent and other County Court systems in order to provide defendants, during arraignment, with various services (bail reduction, alternatives to incarceration such as home confinement, and treatment of substance abuse-related conditions). In recognition of the likelihood that such services would reduce the number of incarcerated inmates further, the Budget Office recommends a FY 2006 inmate population estimate of 3,244.

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The Bureau of Justice Statistics' Bulletin (BJS), "Prisoners in 2003", reports that nationally, the prison growth rate (calculated for state and local prisoners) is 3.2 percent for the entire period of 1995-2003. However, this overall growth rate includes significant fluctuations. The FY 2001 rate of increase was 0.8 percent (the lowest since 1979), compared to a FY 2003 rate of increase of 2.3 percent. Nevertheless, the average annual growth rate for the past four years (2000-2003) remains at 2.1 percent, as compared to the average growth (1995-1999) of 4.3 percent. For this reason, the Budget Office concurs with the Department in projecting the base estimates of the FY 2005 average population of 3,377 and the FY 2006 average population of 3,317. For the longer term, from FY 2007 to FY 2010, the Budget Office recommends a growth rate of 2.1 percent, the BJS 2000-2003 estimate. This rate is slightly higher than the previous five-year plan estimates of 1.7 percent in the FY 2005-FY 2009 forecast, and 1.9 percent in the FY 2004-FY 2008 forecast. The prison population is forecast to increase from 3,377 inmates in FY 2005 to 3,512 inmates in FY 2010. This reflects approximately 27 additional inmates per year. The department anticipates a total of 7 federal detainees in each year.

In response to inmate population growth, the Criminal Justice Oversight Committee, formed in 1993 in response to the federal court settlement on population caps, has warned other state officials that the "surge in the inmate population has both legal and fiscal implications". The Committee is prepared to serve as a forum for review and recommendations regarding all criminal justice operations. The Department has also indicated that, short of building more facilities, there would seem to be only two options for reducing inmate population: early release which allows for reduction of the inmate census, in response to budgetary constraints, and sentencing reform (drug treatment options, release of elderly and/or non-violent offenders) to allow for alternatives to long incarceration.

The growth of the population within the institutions highlights the necessity to explore programs and alternatives to address the needs of the growing community-based offender population, consisting of those under the supervision of the probation, parole, and home confinement programs. The number of adult probationers and parolees served has increased an average of 5.5 percent per year since FY 1990. According to the Bureau of Justice Statistics' report on Probation and Parole in 2002, Rhode Island has the fifth highest rate of probation supervision per capita (3,168 per 100,000) in the nation, as well as the seventh lowest rate of parole supervision (52 per 100,000). The most recent annual report from the Criminal Justice Institute shows that Rhode Island has one of the highest probation caseloads in the country, 1:291, although this has declined from 1:321 in prior years. Rhode Island's home confinement population grew 73.2 percent overall between FY 1995 and FY 2004. In FY 2002 and FY 2003, the number in home confinement actually fell by an average of 7.2 percent to 214, but in FY 2004, the home confinement population rose to 246, with the average for FY 2005 estimated at 302.

The Department has begun the renovation of an additional building at the Pastore Center for use as a Reintegration Center with completion estimated in September 2005. The \$13.4 million renovation, 90 percent funded with federal VOI-TIS funds, will add 168 new beds for male inmates. The Center will house inmates who are within six months of release, but who have not qualified for lower custody status, as well as parole violators. Intensive evaluation and services in the areas of substance abuse prevention, life skills development, educational and vocational job readiness, family responsibility, mandatory community service, and mental and physical health education, will be provided to residents in an effort to successfully reintegrate them into community life. The estimated operating cost of this facility is \$7.5 million for 110.0 FTE's, \$875,000 for contract services, and \$1.0 million for operating costs. However, the total additional cost to the department will depend upon whether or not existing staff and resources can be transferred into this new facility. This will be dependent on changes in inmate demographics and the resultant level of security required.

FY 2006 – FY 2010 Overview

To date, Rhode Island has received \$14.97 million in VOI-TIS funding. The majority of these funds are restricted to construction or expansion of facilities to increase bed capacity for violent offenders. All funds must be expended by September 30, 2005. In addition to the renovation of a wing in the Women's Dix facility, a portion of the funds have been used to renovate two areas of the Medium Security Donald Price facility. The Department also utilized funds to conduct a Siting and Construction Options Study. This study provided an in-depth analysis of offender populations and trends, offering critical guidance for future construction and facility renovations.

Exploration of construction and programming options are crucial even with the anticipated slower growth of the inmate population. In 1979, there were 730 inmates at the ACI. The average inmate population in fiscal year 2004 was 3,554, representing growth of three hundred eighty-seven percent over the twenty-five year period. Assuming continued growth, even at the 2.1 percent rate now forecasted, the inmate population is anticipated to approach, if not exceed, the current operational capacity of 3,922 by FY 2015. Of particular concern are the populations held in the Moran medium security facility and the women's Dix & McDonald facilities. Although the later population has leveled off for now, bed space availability in other facilities cannot be used to alleviate overcrowding in the above-mentioned facilities, as they are not designed to hold inmates classified to different security levels.

The Siting and Construction Options Study allowed the department to develop a comprehensive ten-year plan that considers the various sub-populations, overall population forecasts, efficiency and effectiveness of existing facilities, and future construction needs for both institutional and community-based facilities. In addition to the impact of the forecasted population, the age and design of the facilities at the ACI are factors in planning for capital development. In the original study, the Department contemplated five capacity expansion projects: A 24-bed expansion of the Segregation Unit at the Moran Medium Security facility; a 192-bed addition to the High Security Center; a 360-bed expansion of the Maximum Security facility; the construction of four Community Corrections Centers; and renovations at the Dix facility that will allow for expanded bed space for low and medium security female inmates. The first four of these projects would have required additional state funds.

Nevertheless, the passage of time, tightening budgetary constraints, opposition to community-type corrections facilities, a reduction in the number of inmates, and a renewed emphasis on sentencing reform and early release as possible alternatives to construction, have postponed new construction projects in the department's capital budget. Of the projects contemplated above, none are included in the latest capital plan request. The Department has indicated the need to update the Siting and Construction Options study to reevaluate alternatives to proving future bed space requirements. The Governor has therefore recommended the expenditure of \$150,000 in Rhode Island Capital Plan funds in FY 2006 for the update.

A risk to the forecast is attributable to capital investments that have been proposed by the Department of Corrections but have not been included in the latest Capital Budget. There are two new capacity expansion projects: 1) the addition of two housing modules of 192 beds each at Moran-Medium Security, and 2) the construction of a new women's facility that would modernize and expand services provided to women inmates, as well as allow the utilization of the renovated Dix and McDonald facilities for state office space.

FY 2006 – FY 2010 Overview

Grants and Benefits

FY 2006 – FY 2010 Overview

managed care arrangements with client cost sharing. Based upon population trend data, marginal increases in long-term care caseloads are projected. Nursing home costs are forecast to inflate by approximately 3.1 percent annually.

All other Department of Human Services Medicaid costs, except managed care, are estimated to inflate by 8.8 to 8.5 percent annually. This category assumes a continuation of uncompensated care payments to state and community hospitals in each year. The managed care forecast assumes that costs will increase in line with federal CMS assumptions regarding expenditure growth for national physician and clinical costs, at approximately 10.3 percent annually. Proposals in the Governor's Budget to maximize reimbursements and client eligibility determinations, and to restrict emergency room utilization by managed care clients are included in the FY 2006 base and are assumed to continue through the forecast period.

The five-year projection for the Rhode Island Pharmaceutical Assistance for the Elderly program is significantly lower than last year's five-year projection for drug cost, and is attributable in part, to implementation of the Medicare Prescription Drug Improvement and Modernization Act in late fiscal year 2004. The program provides a \$600 discount card to eligible seniors in the RIPAE program beginning in June 2004. As guidance from the federal government became available, the state automatically enrolled all eligible seniors as allowed under federal law, for a total participating population of 7,900 RIPAE members. Of the seniors in the RIPAE program using the drug card, approximately 32% have used all the drug card benefit at the time of this writing. Another 12% have the card, but have not yet used it. The FY 2005 revised estimate for drug cost is \$2.9 million less than the FY 2005 enacted appropriation and thus changes the basis for estimates for future years of the projection.

Maximization of drug card use by the seniors does not fully explain lower than projected drug use and drug expenditure levels in the RIPAE program during FY 2005. Increased use of generic drugs, accounting for 57% of total claims and 27% of cost to the program in calendar year 2003, is a contributing factor. The rate at which drugs move from brand name to generic form is part of this equation, however, the willingness of seniors to embrace generic drugs over brand name ones is less definable. Another dynamic is the decline in the elderly population growth rate from calendar year 2003 through calendar year 2007. Finally, the period of time that elders stay in the program, and their movement between subsidy levels based on income eligibility, along with the general health of the elderly population in the state, are contributing, though less quantifiable, factors in drug expenditure projections.

In January 2006, Part D of the Medicare prescription drug benefit program will be in place, likely resulting in significant drug cost savings to the RIPAE program. However, as the Federal government has not promulgated the regulations relating to the use of the card, after January 1, 2006, it is not possible to quantify the savings with any degree of certainty. Conversely, significant expenditure risk could be associated with demographic and formulary changes of the RIPAE program and could reduce potential savings. This uncertainty, coupled with the 'clawback' provision, which charges savings from diverted eligible seniors back to the DHS Medicaid program, is likely to erode savings from implementation of Part D.

The forecasted expenditures, within the Developmental Disability system, of \$91.6 million in FY 2007 to \$104.2 million in FY 2010, indicate an average growth rate of approximately 4.4 percent. It should be noted that the expenditures only reflect the residential, day program, respite and supported employment services.

FY 2006 – FY 2010 Overview

Medical costs under the Medicaid program, are reflected in Department of Human Services' grant costs. Although the growth in expenditures, in this program, have been relatively stable over the last two to three year period there are several factors which could significantly affect the expenditures during the forecast period. These include greater public awareness of the availability and therefore the utilization of services, the aging of caregivers and the aging of the existing population. The aging of the caregivers places a significant burden on the residential portion of this program. Clients who were cared for by their parents often require residential placement when the parents are no longer able to care for them. The age of the existing client population will also have an effect on the future cost of care. As with the general population in society, the baby boom is reaching retirement age, and many clients are facing diseases and or complications associated with aging in addition to their existing disability. This can increase both the nature and quantity of services required to maintain a client's quality of life. Public awareness activities, sponsored by both the department and by consumers of service, have and will continue to lead to greater utilization, at the earliest possible age, of the full range of services for which clients are eligible.

Local Aid

Local aid expenditures include Education Aid, Aid to Local Libraries, the PILOT program, Aid to Distressed Communities, Police and Fire Incentive payments, the Motor Vehicle Excise Tax Reimbursement, General Revenue Sharing and the Property Reevaluation program. Average growth in these programs is assumed to equal 4.5 percent over the projection period, but this assumes that the Governor's recommended changes to statutory formulas are adopted. Within this major component, only one program area of spending is not expected to exceed inflation – the Motor Vehicle Excise Tax Reimbursement program, which is anticipated to grow at the rate of CPI.

In dollar terms, the largest driving force behind expenditure growth is accounted for by Education Aid programs, which is expected to increase by a total of \$145.3 million from the FY 2006 base level. This reflects an estimated 3 percent annual growth in education aid. Housing Aid, Teachers Retirement, Met Schools and Charter Schools are considered separately in terms of growth assumptions. As previously noted projections for future required employer contribution rates to the teacher's retirement fund are modified by the Governor's proposal and have been incorporated in the local aid estimates. This results in state contributions for teacher's retirement increasing from \$58.6 million in fiscal 2006 to \$92.6 million by fiscal 2010, an increase of \$34.0 million or 58.0 percent. In addition the estimates assume that the six Metropolitan Schools reach full enrollment in fiscal 2007 and that costs per student rise by 5.3 percent a year, based on projections for teacher payroll and benefit costs. Finally, it is assumed that one new Charter school is added each fiscal year commencing in FY 2007 and that enrollment at each of the new schools grows by 60 students per year. Based on these assumptions for new schools and increases in enrollment for existing schools, Charter School costs are estimated to rise from \$22.1 million in fiscal 2006 to \$34.3 million by fiscal 2010, an increase of 55.2 percent.

The General Revenue Sharing program is the next largest contributor to growth, with a projected increase of \$25.6 million over five years of which \$16.2 million occurs in FY 2007 in order to comply with the 3% of state taxes requirement. Payments for the Motor Vehicle Tax Reimbursement program are anticipated to add an additional \$9.0 million to total expenditure requirements over the forecast period. This moderated growth as compared with previous forecasts reflects recent moderation in the value of motor vehicles. The PILOT program is anticipated to add \$5.4 million in expenditures over the forecast period while the Library Aid program will add \$3.0 million to the forecasted base. These local aid projections are based upon changes to current statutory funding plans such that General Revenue Sharing in FY 2007

FY 2006 – FY 2010 Overview

and thereafter would remain at 3% of prior year taxes, Distressed Communities Aid would grow by the CPI, and the PILOT program would grow by 5.5% reflecting growth limited by the cap on the property tax levy. The savings from these changes is estimated to be \$13.7 million in FY 2007, \$21.6 million in FY 2008, \$32.7 million in FY 2009, and \$42.1 million in FY 2010.

Capital

The projection of debt service costs reflects updated debt service projections as included in the FY 2006 – FY 2010 Capital Improvement Plan. General revenue funded debt service on all tax supported obligations are projected to rise from \$79.0 million in FY 2006 to \$115.7 million in FY 2010. The plan calls for the issuance of general obligation bonds in FY 2005 of \$76 million, and \$100 million thereafter.

It is assumed that interest on the general obligation bonds issued will be 5.0 percent for twenty year fixed rate debt, and 2.5 percent for outstanding variable rate debt. It reflects the diminishing benefit of the debt service savings resulting from the debt defeasance using tobacco securitization proceeds. In FY 2007 the general revenue appropriation for debt service reflects debt service savings of \$25.5 million from defeasance; these savings decline to \$17.1 million by FY 2010 and result in an \$8.4 million increase in projected requirements.

The projected general revenue requirements for debt service are dependent upon the allocation of debt service costs to other sources of funds. In FY 2002 through FY 2006, the budget recommendations to defer some capital projects provided budgetary relief, but resulted in a structural imbalance in FY 2007 when those funds are redirected to capital projects rather than debt service. The projection assumes that Rhode Island Capital Plan funding for debt service will increase from \$18.7 million in FY 2005 to \$39.4 million in FY 2006. In FY 2007 and thereafter, zero debt service will be funded from the Rhode Island Capital Plan funds. This results in increased general revenue appropriations for debt service of \$43.6 million from FY 2006 to FY 2010. Disbursements for capital projects are reflected as Rhode Island Capital Plan Fund expenditures, not general revenue, and therefore are not reflected in the five year report as operating costs.

It is assumed that the Department of Transportation general obligation debt service funded by gas tax revenues in FY 2006 through FY 2010 will total \$36.1 million, \$40.9 million, \$36.0 million, \$37.7 million, and \$40.6 million respectively. It is assumed that the two cents of the gas tax dedicated to Motor Fuel bonds issued by EDC is equal to \$9.6 million annually. It is assumed that the Rhode Island Public Transit Authority debt service funded by gas tax revenues in FY 2006 through FY 2010 will total \$0.7 million, \$0.8 million, \$0.8 million, \$0.9 million, and \$0.9 million respectively. It reflects the issuance of \$22.2 million, \$32.5 million, \$32.5 million, \$32.5 million, \$30.0 million and \$30.0 million in FY 2005 – FY 2010 for the Department of Transportation. It reflects issuance of \$1.1 million, \$1.54 million, \$.45 million and \$.55 million in FY 2005 to FY 2009 for the Rhode Island Public Transit Authority.

Obligations for McCoy Stadium are estimated at 2.5 percent, reflecting an average estimate of the variable rate interest costs to be paid on the balance of this debt. Obligations arising from the Traffic Tribunal Court (\$26.4 million) and the Juvenile Training School (\$55.7 million) are assumed to be financed by general revenues, and interest is assumed at 5.0 percent. Debt service costs for these projects increase from \$2.7 million in FY 2006, which reflects only interest, to \$6.8 million in FY 2010, an increase of \$4.1 million. Additionally, the debt financing for the FY 2006 requirements for the Neighborhood Opportunities Program add \$1.2 million of debt service. Rhode Island Refunding Bond

FY 2006 – FY 2010 Overview

Authority costs are \$10.7 million lower in FY 2010 compared to FY 2006 due to final amortization of outstanding PBA debt.

The obligations arising from the performance based contracts between the Rhode Island Economic Development Corporation and private entities are projected to result in state appropriations due to the projected achievement of performance targets. The FY 2006 forecast includes \$1,600,000 for Fidelity, zero for Fleet, and \$3.7 million for Providence Place Mall. In FY 2007 and thereafter, it assumes the Fidelity I and Providence Place Mall obligations are funded at the maximum level of \$2.5 million, and \$3.6 million, respectively. The forecast assumes no requirement for the Fleet obligation or the second Fidelity transaction, which if earned would total approximately \$0.3 million and \$0.9 million respectively.

Other

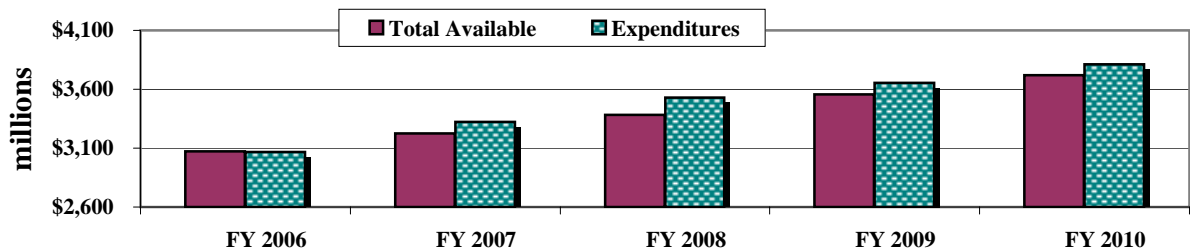
It is assumed that the cost associated with the issuance of tax anticipation notes remains constant at the FY 2006 level but that the costs of such borrowings continue to be financed by interest earnings.

The projection also assumes that disbursements for capital projects from general revenues would be \$2.1 million in FY 2006, \$4.0 million in FY 2007, \$0.8 million in FY 2008, \$0.5 million in FY 2009 and \$0.5 million in FY 2010. This reflects capital projects funded by general revenues which are contained in the FY 2006 - 2010 Capital Budget, such as the Rose Hill Landfill remediation project.

General Revenue Outyear Estimates FY 2006 - FY 2010

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Opening Surplus	\$10.7	\$0.9	\$0.0	\$0.0	\$0.0
Plus:					
Taxes and Departmentals	2,727.7	2,840.9	2,958.8	3,091.6	3,208.4
Other Sources	394.7	446.6	493.2	537.3	584.4
Budget Stabilization Fund	(62.7)	(65.8)	(69.0)	(72.6)	(75.9)
Total Available	3,070.4	3,222.6	3,383.0	3,556.3	3,716.9
Minus Expenditures	3,069.5	3,320.3	3,526.8	3,656.8	3,813.5
Equals Ending Balance	\$0.9	(\$97.7)	(\$143.8)	(\$100.6)	(\$96.6)
<i>Operating Surplus or Deficit</i>	<i>(\$9.8)</i>	<i>(\$98.5)</i>	<i>(\$143.8)</i>	<i>(\$100.6)</i>	<i>(\$96.6)</i>
		-2.968%	-4.078%	-2.750%	-2.533%
Rhode Island Capital Fund					
Budget Stabilization Balance	\$94.0	\$98.7	\$103.6	\$108.9	\$113.8
Capital Fund Balance	0.2	0.0	0.0	0.0	0.0
Debt Service Disbursements	39.4	0.0	0.0	0.0	0.0
Capital Projects Disbursements	34.2	61.1	64.1	67.3	71.0
Total Disbursements	\$73.6	\$61.1	\$64.1	\$67.3	\$71.0

Outyear Expenditures vs. Available Funds



General Revenue Outyear Estimates

	FY 2007	FY 2008	FY 2009	FY 2010
Personal Income Tax	\$1,061,480,000	\$1,124,220,000	\$1,196,700,000	\$1,258,580,000
General Business Taxes:				
Business Corporations & Franchise	98,810,000	103,730,000	112,240,000	119,090,000
Public Utilities	95,120,000	97,890,000	100,660,000	103,300,000
Financial Institutions	110,000	110,000	120,000	130,000
Insurance Companies	41,560,000	44,340,000	49,110,000	49,890,000
Bank Deposits	1,630,000	1,660,000	1,700,000	1,730,000
Health Care Provider	46,260,000	48,110,000	50,310,000	52,740,000
General Business Taxes	\$283,490,000	\$295,840,000	\$314,140,000	\$326,880,000
Sales and Use Taxes:				
Sales and Use	939,750,000	973,170,000	1,006,660,000	1,040,380,000
Motor Vehicle	50,790,000	51,880,000	52,870,000	53,850,000
Motor Fuel	880,000	890,000	900,000	900,000
Cigarettes	125,430,000	124,790,000	123,890,000	122,850,000
Alcohol	12,450,000	12,790,000	13,130,000	13,470,000
Controlled Substances	0	0	0	0
Sales and Use Taxes	\$1,129,300,000	\$1,163,520,000	\$1,197,450,000	\$1,231,450,000
Other Taxes:				
Inheritance and Gift	28,600,000	29,800,000	31,100,000	32,400,000
Racing and Athletics	4,400,000	4,400,000	4,400,000	4,400,000
Realty Transfer Tax	14,500,000	15,000,000	15,200,000	15,200,000
Other Taxes	\$47,500,000	\$49,200,000	\$50,700,000	\$52,000,000
Total Taxes	\$2,521,770,000	\$2,632,780,000	\$2,758,990,000	\$2,868,910,000
Total Departmental Receipts	319,100,000	325,900,000	332,600,000	339,600,000
Taxes and Departmentals	\$2,840,870,000	\$2,958,680,000	\$3,091,590,000	\$3,208,510,000
Other Sources				
Gas Tax Transfers	11,835,000	11,975,000	12,108,000	12,217,000
Other Miscellaneous	7,700,000	7,700,000	7,400,000	7,400,000
Lottery Commission Receipts	416,900,000	463,100,000	506,700,000	553,600,000
Unclaimed Property	10,200,000	10,500,000	11,100,000	11,300,000
Other Sources	\$446,635,000	\$493,275,000	\$537,308,000	\$584,517,000
Total General Revenues	\$3,287,505,000	\$3,451,955,000	\$3,628,898,000	\$3,793,027,000

General Revenue Outyear Estimates

	FY 2007	FY 2008	FY 2009	FY 2010
Personal Income Tax	6.2%	5.9%	6.4%	5.2%
General Business Taxes:				
Business Corporations	7.9%	5.0%	8.2%	6.1%
Public Utilities	2.9%	2.9%	2.8%	2.6%
Financial Institutions	8.8%	4.9%	7.1%	6.1%
Insurance Companies	-9.2%	6.7%	10.8%	1.6%
Bank Deposits	1.9%	2.0%	2.1%	2.2%
Health Care Provider	4.9%	4.0%	4.6%	4.8%
General Business Taxes	2.9%	4.4%	6.2%	4.1%
Sales and Use Taxes:				
Sales and Use	3.7%	3.6%	3.4%	3.4%
Motor Vehicle	2.6%	2.1%	1.9%	1.9%
Motor Fuel	0.7%	1.0%	0.9%	0.6%
Cigarettes	-0.5%	-0.5%	-0.7%	-0.8%
Alcohol	2.9%	2.7%	2.6%	2.6%
Controlled Substances				
Sales and Use Taxes	3.2%	3.0%	2.9%	2.8%
Other Taxes:				
Inheritance and Gift	4.1%	4.2%	4.1%	4.2%
Racing and Athletics	-0.5%	-1.0%	-0.7%	-0.5%
Realty Transfer Tax	2.8%	3.7%	1.3%	-0.2%
Other Taxes	3.3%	3.6%	2.8%	2.4%
Total Taxes	4.4%	4.4%	4.8%	4.0%
Total Departmental Receipts	2.2%	2.1%	2.1%	2.1%
Taxes and Departmentals	4.2%	4.1%	4.5%	3.8%
Other Sources				
Gas Tax Transfers	0.9%	1.2%	1.1%	0.9%
Other Miscellaneous	-48.6%	-0.4%	-3.8%	-0.2%
Lottery Commission Receipts	16.9%	11.1%	9.4%	9.2%
Unclaimed Property	-9.3%	2.0%	5.9%	2.1%
Other Sources	13.2%	10.4%	8.9%	8.8%
Total General Revenues	5.3%	5.0%	5.1%	4.5%

General Revenue Outyear Expenditure Estimates

	FY 2007	FY 2008	FY 2009	FY 2010
State Operations				
Personnel	\$823,600,000	\$926,100,000	\$931,200,000	\$968,300,000
Other State Operations	167,300,000	161,800,000	165,200,000	168,800,000
DCYF Caseload Growth	1,200,000	2,500,000	3,900,000	5,300,000
DOC Inmate Growth	400,000	3,300,000	6,500,000	9,900,000
Subtotal	\$992,500,000	\$1,093,700,000	\$1,106,800,000	\$1,152,300,000
Grants and Benefits				
DCYF Services	\$100,700,000	\$104,800,000	\$109,300,000	\$114,000,000
TANF Cash/Child Care/MOE	64,100,000	63,900,000	64,600,000	65,700,000
SSI Cash	29,800,000	31,200,000	32,600,000	34,100,000
Home Health Care-DEA	4,900,000	5,200,000	5,600,000	6,100,000
Nursing Home Care	144,500,000	149,000,000	153,700,000	158,700,000
MHRH MR/DD	91,600,000	95,600,000	99,800,000	104,200,000
Other DHS Medicaid	278,800,000	303,200,000	329,600,000	357,900,000
RIPAE	12,000,000	13,500,000	15,200,000	19,300,000
Managed Care	220,200,000	242,700,000	267,700,000	295,300,000
Other Grants and Benefits	188,400,000	190,500,000	194,500,000	198,800,000
Subtotal	\$1,135,000,000	\$1,199,600,000	\$1,272,600,000	\$1,354,100,000
Local Aid				
Education Aid	\$836,900,000	\$876,100,000	\$910,800,000	\$942,900,000
General Revenue Sharing	69,600,000	72,500,000	75,700,000	79,000,000
Motor Vehicle Tax Reimbursements	106,900,000	109,200,000	111,500,000	113,900,000
PILOT	24,000,000	25,300,000	26,700,000	28,100,000
Distressed Communities	8,700,000	8,900,000	9,100,000	9,300,000
Library Aid	12,500,000	13,200,000	13,900,000	14,100,000
Property Revaluation Prgm	2,300,000	900,000	1,400,000	2,000,000
Police/Fire Incentive Payments	1,100,000	1,100,000	1,200,000	1,200,000
Subtotal	\$1,062,000,000	\$1,107,200,000	\$1,150,300,000	\$1,190,500,000
Capital				
<i>Debt Service</i>				
General Obligation	\$57,981,132	56,813,249	\$58,918,282	\$63,353,239
Refunding Bond Authority	20,532,554	20,353,226	19,367,369	6,400,036
COPS/Other Leases	24,315,128	24,350,746	24,371,672	22,382,063
Convention Center	17,925,168	17,927,195	17,941,209	17,945,622
Performance Based	6,048,526	6,048,526	6,048,526	6,048,526
TANS	-	-	-	-
<i>Capital Improvements</i>				
Other Projects	3,991,678	779,693	500,000	500,000
Subtotal	\$130,794,186	\$126,272,635	\$127,147,058	\$116,629,486
Total	\$3,320,294,186	\$3,526,772,635	\$3,656,847,058	\$3,813,529,486
Difference	\$250,794,179	\$206,478,449	\$130,074,423	\$156,682,428

General Revenue Outyear Expenditure Estimates

	FY 2007	FY 2008	FY 2009	FY 2010
State Operations				
Personnel	6.61%	12.45%	0.55%	3.98%
Other State Operations	2.31%	-3.29%	2.10%	2.18%
DCYF Annual Caseload Growth	2.10%	2.10%	2.10%	2.10%
DOC Annual Inmate Growth	1.70%	1.70%	1.70%	1.70%
Subtotal	6.03%	10.20%	1.20%	4.11%
Grants and Benefits				
DCYF Services	4.08%	4.07%	4.29%	4.30%
TANF Cash/Child Care/MOE	1.40%	-0.31%	1.10%	1.70%
SSI Cash	4.50%	4.70%	4.49%	4.60%
Home Health Care-DEA	7.81%	6.12%	7.69%	8.93%
Nursing Home Care	3.63%	3.11%	3.15%	3.25%
MHRH MR\DD	4.37%	4.37%	4.39%	4.41%
Other Medicaid	9.10%	8.75%	8.71%	8.59%
RIPAE	0.05%	12.50%	12.59%	26.97%
Managed Care	10.68%	10.22%	10.30%	10.31%
Other Grants and Benefits	14.11%	1.11%	2.10%	2.21%
Subtotal	7.91%	5.69%	6.09%	6.40%
Local Aid				
Education Aid	4.93%	4.68%	3.96%	3.52%
General Revenue Sharing	30.24%	4.17%	4.41%	4.36%
Motor Vehicle Tax Reimbursements	1.81%	2.15%	2.11%	2.15%
PILOT	5.65%	5.42%	5.53%	5.24%
Distressed Communities	1.95%	2.30%	2.25%	2.20%
Library Aid	12.69%	5.60%	5.30%	1.44%
Property Revaluation Prgm	130.00%	-60.87%	55.56%	42.86%
Police/Fire Incentive Payments	0.18%	0.00%	9.09%	0.00%
Subtotal	6.15%	4.26%	3.89%	3.49%
Capital				
<i>Debt Service</i>				
General Obligation	194.41%	-2.01%	3.71%	7.53%
Refunding Bond Authority	23.11%	-0.87%	-4.84%	-66.95%
COPS/Other Leases	24.32%	0.15%	0.09%	-8.16%
Convention Center	0.02%	0.01%	0.08%	0.02%
Performance Based	17.22%	0.00%	0.00%	0.00%
TANS				
<i>Capital Improvements</i>				
Other Projects	86.18%	-80.47%	-35.87%	0.00%
Subtotal	61.16%	-3.46%	0.69%	-8.27%
Total	8.17%	6.22%	3.69%	4.28%
CPI-U	1.9%	2.0%	2.1%	2.2%

General Revenue Outyear Planning Values

Estimates and Growth	FY 2007	FY 2008	FY 2009	FY 2010
Personal Income (billions) [1]	\$39.7	\$41.4	\$43.1	\$44.9
<i>Change</i>	4.1%	4.2%	4.2%	4.2%
Nonfarm Employment (thousands) [1]	507.1	511.6	515.2	519.3
<i>Change</i>	1.2%	0.9%	0.7%	0.8%
Personal Income Tax				
Wages and Salaries [1]	4.7%	4.5%	4.3%	4.1%
Taxable Nonwage [2]	3.2%	3.9%	4.1%	4.3%
Elasticity [3]	1.0	1.0	1.0	1.0
Business Corporation Tax [4]	6.3%	6.2%	5.7%	4.8%
Provider Tax [3]	4.9%	4.0%	4.6%	4.8%
Sales Tax				
Wages and Salaries [1]	4.7%	4.5%	4.3%	4.1%
Elasticity [3]	0.8	0.8	0.8	0.8
Gasoline Tax				
Real Consumption [5]	0.8%	0.9%	0.9%	0.7%
Other Taxes and Departmentals	1.9%	2.0%	2.1%	2.2%
CPI-U (U.S.) [1]	1.9%	2.0%	2.1%	2.2%
Salaries and Fringe Benefits				
Salary COLA - [12], CPI-U [1]	2.0%	2.0%	2.1%	2.2%
Steps and Longevity Increases [3]	1.1%	1.1%	1.1%	1.1%
Medical Benefits Costs [12], [11]	-0.1%	2.4%	6.8%	6.4%
Retiree Health Costs [13], [11]	22.9%	394.7%	3.8%	3.9%
State Employees Retirement Costs [14]	17.1%	19.1%	19.6%	19.4%
Corrections Population, Including INS Detainees [3]	3,311	3,379	3,448	3,519
<i>Change</i>	2.1%	2.1%	2.0%	2.1%
Children in State Care	8,495	8,673	8,854	9,039
Caseload Change [3]	2.1%	2.1%	2.1%	2.1%
FIP Caseloads [3]	32,163	30,924	29,781	28,737
<i>Change</i>	-5.7%	-3.9%	-3.7%	-3.5%
SSI Caseload [3]	31,846	32,768	33,727	34,705
Caseload Change	2.7%	2.9%	2.9%	2.9%
Percent Disabled	79.8%	80.2%	80.7%	81.2%
Estimated Disabled	25,403	26,292	27,212	28,164
Disabled Growth	3.5%	3.5%	3.5%	3.5%

General Revenue Outyear Planning Values

Estimates and Growth	FY 2007	FY 2008	FY 2009	FY 2010
Percent Elderly	20.2%	19.8%	19.3%	18.8%
Estimated Elderly	6,444	6,476	6,515	6,541
Growth Elderly [6]	-0.2%	0.5%	0.6%	0.4%
Home Health Care				
Expenditure Growth [7]	7.4%	7.5%	7.4%	7.4%
Nursing Home Care				
Expenditure Growth [3]	3.6%	3.1%	3.2%	3.2%
Other Medicaid				
Expenditure Growth [9]	9.1%	8.7%	8.7%	8.6%
RIPAE				
Caseloads	37,800	37,989	38,217	38,370
Caseload Change [6]	-0.2%	0.5%	0.6%	0.4%
Price Inflation [3], [10]	3.5%	3.2%	3.1%	2.9%
Managed Care				
Expenditure Growth [8]	10.7%	10.3%	10.3%	10.3%
Education Aid [15]	5.0%	4.7%	4.0%	3.5%

- [1] November 2004 Revenue Estimating Conference Consensus Economic Forecast.
- [2] Nov. 2004 REC estimates and Economy.com Fiscal Year Forecast of the Rhode Island Economy, November 2004.
- [3] State of Rhode Island Budget Office Estimate.
- [4] Economy.com Calendar Year Forecast of the U.S. Economy, November 2004, Corporate Profits Before Tax.
- [5] Economy.com Calendar Year Forecast of the U.S. Economy, November 2004, Nondurables: Gasoline and Oil.
- [6] Economy.com Fiscal Year Forecast of the Rhode Island Economy, November 2004.
- [7] HCFA (CMS) National Health Care Expenditures Projections 2003-2013, March 2004, Table 10: Home Health Care Expenditures, State and Local Payments, Average Annual Percentage Change from Previous Year, adjusted for State Fiscal Year.
- [8] HCFA (CMS) National Health Care Expenditures Projections 2003-2013, March 2004, Table 3: National Health Expenditures, Private Health Insurance, Average Annual Percentage Change from Previous Year, adjusted for State fiscal Year.
- [9] HCFA (CMS) National Health Care Expenditures Projections 2003-2013, March 2004, Table 3: National Health Expenditures, Medicaid, Average Annual Percentage Change from Previous Year, adjusted for State Fiscal Year.
- [10] [3] and HCFA (CMS) National Health Care Expenditures Projections 2003-2013, March 2004, Table 11: Prescription Drug Expenditures, State and Local Payments, Average Annual Percentage Change from Previous Year, adjusted for State Fiscal Year.
- [11] HCFA (CMS) National Health Care Expenditures Projections 2003-2013, March 2004, Table 5: Personal Health Care Expenditures, Private Health Insurance Payments, Average Annual Percentage Change from Previous Year, adjusted for State Fiscal Year.
- [12] Governor's Proposal for Fiscal Years 2005 - 2007.
- [13] Reflects Compliance with GASB rules beginning with Fiscal 2008.
- [14] Governor's Proposal for Fiscal Years 2005 - 2010.
- [15] State of Rhode Island Budget Office estimate of Education Aid Including Housing Aid, Teachers Retirement, Met Schools and Charter Schools

Appendix A

Schedules

General Revenue Budget Surplus Statement

	FY2003 Audited	FY2004 Unaudited	FY 2005		FY2006 Recommended
			Enacted	Revised	
Surplus					
Opening Surplus	\$ 31,080,906	\$ 42,633,626	\$ 43,884,617	\$ 47,667,203	\$ 10,651,504
Reappropriated Surplus	7,770,428	7,346,513		10,145,888	
Subtotal	38,851,334	49,980,139	43,884,617	57,813,091	10,651,504
General Taxes	2,012,372,000	2,178,263,682	2,288,617,960	2,288,617,960	2,408,545,000
Revenue estimators' revision	-	-	-	30,332,040	
Changes to adopted revenue estimates					7,000,404
Subtotal	2,012,372,000	2,178,263,682	2,288,617,960	2,318,950,000	2,415,545,404
Departmental Revenues	290,254,791	290,960,946	303,475,075	303,475,075	238,000,000
Revenue estimators' revision	-	-	-	(6,475,075)	
Changes to adopted revenue estimates				(276,186)	74,153,372
Subtotal	290,254,791	290,960,946	303,475,075	296,723,814	312,153,372
Other Sources					
Gas Tax Transfers	25,506,330	8,398,244	9,560,000	9,560,000	9,600,000
Changes to adopted revenue estimates					2,128,402
Other Miscellaneous	184,086,402	65,617,418	19,173,000	19,173,000	8,466,000
Certain anticipated closing adjustments		3,550,781			
Rev Estimators' revision-Miscellaneous	-	-	-	(2,374,000)	
Changes to adopted revenue estimates					6,500,000
Lottery	236,540,055	281,113,934	322,397,366	322,397,366	356,700,000
Revenue Estimators' revision-Lottery	-	-	-	(4,397,366)	
Unclaimed Property	8,458,048	17,042,121	11,150,000	11,150,000	11,800,000
Revenue Estimators' revision-Unclaimed	-	-	-	5,850,000	
Changes to adopted revenue estimates				(234,932)	(507,000)
Subtotal	454,590,835	375,722,498	362,280,366	361,124,068	394,687,402
Total Revenues	\$ 2,757,217,626	\$ 2,844,947,126	\$ 2,954,373,401	\$ 2,976,797,882	\$ 3,122,386,178
Budget Stabilization	(55,765,129)	(57,751,615)	(59,965,161)	(60,489,302)	(62,660,754)
Total Available	\$ 2,740,303,831	\$ 2,837,175,650	\$ 2,938,292,858	\$ 2,974,121,671	\$ 3,070,376,928
Actual/Enacted Expenditures	\$ 2,690,323,692	\$ 2,779,174,506	\$ 2,937,776,732	\$ 2,937,776,732	\$ 3,069,500,007
Certain anticipated audit adjustments		188,053			
Reappropriations	-	-	-	10,145,888	
Recommended changes to appropriations	-	-	-	15,547,547	
Total Expenditures	\$ 2,690,323,692	\$ 2,779,362,559	\$ 2,937,776,732	\$ 2,963,470,167	\$ 3,069,500,007
Free Surplus	\$ 42,633,626	\$ 47,667,203	\$ 516,126	\$ 10,651,504	\$ 876,921
Reappropriations	7,346,513	10,145,888	-	-	-
Total Ending Balances	\$ 49,980,139	\$ 57,813,091	\$ 516,126	\$ 10,651,504	\$ 876,921
Budget Reserve and Cash					
Stabilization Account	\$ 83,647,695	\$ 86,627,423	\$ 89,947,741	\$ 90,733,953	\$ 93,991,130

Expenditures from All Funds

	FY2003 Audited	FY 2004 Unaudited	FY2005 Revised	FY2006 Recommended
General Government				
Administration	\$ 474,884,491	\$ 496,998,993	\$ 531,634,539	\$ 534,209,345
Business Regulation	9,589,094	9,884,593	10,605,228	11,017,653
Labor and Training	487,074,813	462,466,381	444,099,321	445,277,069
Legislature	28,678,414	26,359,515	30,231,568	29,224,430
Lieutenant Governor	795,014	841,748	869,076	917,362
Secretary of State	6,418,277	6,532,966	8,187,475	6,267,053
General Treasurer	27,953,461	31,795,627	34,450,774	27,095,868
Boards for Design Professionals	439,718	418,899	419,493	434,116
Board of Elections	3,118,288	2,267,796	2,948,546	2,508,556
Rhode Island Ethics Commission	880,894	850,718	1,129,593	1,207,394
Governor's Office	6,206,325	4,380,810	4,397,125	4,530,495
Public Utilities Commission	4,550,015	4,608,049	6,120,792	6,420,340
Rhode Island Commission on Women	128,402	65,184	83,876	86,557
Subtotal - General Government	\$ 1,050,717,206	\$ 1,047,471,279	\$ 1,075,177,406	\$ 1,069,196,238
Human Services				
Children, Youth, and Families	237,179,763	252,261,109	263,964,375	273,342,702
Elderly Affairs	42,614,802	45,782,367	45,982,564	46,317,159
Health	102,259,231	110,866,329	110,743,600	107,365,483
Human Services	1,418,489,336	1,550,839,393	1,667,611,241	1,771,000,434
Mental Health, Retardation, & Hospitals	439,279,304	456,563,989	473,960,206	487,373,447
Office of the Child Advocate	906,320	598,230	430,450	542,128
Commission on Deaf & Hard of Hearing	216,486	236,617	324,876	332,942
RI Developmental Disabilities Council	499,370	481,412	510,313	511,924
Governor's Commission on Disabilities	528,935	585,084	940,467	1,011,942
Commission for Human Rights	1,161,448	1,101,287	1,203,107	1,249,102
Office of the Mental Health Advocate	309,546	322,479	335,157	351,329
Subtotal - Human Services	\$ 2,243,444,541	\$ 2,419,638,296	\$ 2,566,006,356	\$ 2,689,398,592
Education				
Elementary and Secondary	872,223,184	927,396,640	968,296,757	1,020,777,538
Higher Education - Board of Governors	577,052,787	614,964,401	650,054,178	671,816,571
RI Council on the Arts	2,215,842	2,186,559	3,320,626	3,300,358
RI Atomic Energy Commission	810,965	967,812	1,246,339	1,247,939
Higher Education Assistance Authority	14,406,516	22,500,402	26,729,488	28,689,247
Historical Preservation and Heritage Commission	1,619,664	1,610,969	2,041,489	1,987,145
Public Telecommunications Authority	1,644,428	2,349,300	5,069,039	2,042,817
Subtotal - Education	\$ 1,469,973,386	\$ 1,571,976,083	\$ 1,656,757,916	\$ 1,729,861,615

Expenditures from All Funds

	FY2003 Audited	FY 2004 Unaudited	FY2005 Revised	FY2006 Recommended
Public Safety				
Attorney General	17,829,250	18,218,059	20,720,535	20,100,130
Corrections	143,815,780	148,261,475	162,516,672	162,228,387
Judicial	73,740,759	77,462,075	85,397,846	84,430,160
Military Staff	13,232,554	26,193,626	39,736,108	29,701,455
E-911 Emergency Telephone System	3,965,519	4,035,744	5,511,357	5,625,223
Fire Safety Code Board of Appeal & Review	241,753	211,695	243,629	265,408
State Fire Marshal	1,504,120	1,615,035	2,265,743	2,722,739
Commission on Judicial Tenure & Discipline	111,692	95,722	125,254	106,650
Rhode Island Justice Commission	4,976,320	5,070,980	6,069,181	5,734,692
Municipal Police Training Academy	362,957	365,114	490,726	403,710
State Police	42,370,912	43,291,137	47,422,742	49,061,317
Office Of Public Defender	6,311,704	6,675,186	7,366,513	7,914,972
Subtotal - Public Safety	\$ 308,463,320	\$ 331,495,848	\$ 377,866,306	\$ 368,294,843
Natural Resources				
Environmental Management	57,855,088	57,178,583	78,750,713	82,519,852
Coastal Resources Management Council	6,615,881	8,381,263	4,549,974	3,943,588
Water Resources Board	1,952,954	2,271,740	3,170,595	2,853,450
Subtotal - Natural Resources	\$ 66,423,923	\$ 67,831,586	\$ 86,471,282	\$ 89,316,890
Transportation				
Transportation	294,095,010	287,840,663	314,324,391	308,798,408
Subtotal - Transportation	\$ 294,095,010	\$ 287,840,663	\$ 314,324,391	\$ 308,798,408
Total	\$ 5,433,117,386	\$ 5,726,253,755	\$ 6,076,603,657	\$ 6,254,866,586
Preliminary Closing Adjustments-General Revenue	-	188,053	-	-
	\$ 5,433,117,386	\$ 5,726,441,808	\$ 6,076,603,657	\$ 6,254,866,586

Expenditures from General Revenues

	FY2003 Audited	FY2004 Unaudited	FY2005 Rev Revised	FY2006 Recommended
General Government				
Administration	\$ 367,405,218	\$ 386,801,997	\$ 416,221,951	\$ 406,451,928
Business Regulation	9,185,949	9,329,546	9,822,036	10,209,291
Labor and Training	6,842,571	7,495,847	6,939,593	6,768,870
Legislature	27,421,875	24,870,633	29,130,423	27,951,951
Lieutenant Governor	795,014	841,748	869,076	917,362
Secretary of State	5,974,313	4,554,610	5,132,164	4,799,470
General Treasurer	3,497,996	2,731,438	3,605,979	2,898,672
Boards for Design Professionals	439,718	418,899	419,493	434,116
Board of Elections	3,118,288	1,314,705	1,605,970	1,421,683
Rhode Island Ethics Commission	880,894	850,718	1,129,593	1,207,394
Governor's Office	6,206,325	4,380,810	4,397,125	4,530,495
Public Utilities Commission	658,167	639,923	678,534	710,111
Rhode Island Commission on Women	128,402	65,184	83,876	86,557
Subtotal - General Government	\$ 432,554,730	\$ 444,296,058	\$ 480,035,813	\$ 468,387,900
Human Services				
Children, Youth, and Families	142,506,880	141,177,339	153,572,657	161,640,261
Elderly Affairs	27,333,971	29,278,870	27,917,924	28,671,126
Health	34,814,798	33,863,473	29,954,554	27,866,355
Human Services	603,149,660	635,374,031	719,157,089	768,915,978
Mental Health, Retardation, & Hospitals	220,817,604	214,523,648	233,551,439	238,267,015
Office of the Child Advocate	534,804	497,069	394,960	494,068
Commission on Deaf & Hard of Hearing	216,486	236,617	279,540	287,606
RI Developmental Disabilities Council	-	-	-	-
Governor's Commission on Disabilities	518,275	538,028	508,483	531,409
Commission for Human Rights	814,166	1,038,498	989,299	979,397
Office of the Mental Health Advocate	309,546	322,479	335,157	351,329
Subtotal - Human Services	\$ 1,031,016,190	\$ 1,056,850,052	\$ 1,166,661,102	\$ 1,228,004,544
Education				
Elementary and Secondary	742,734,656	777,172,741	794,655,689	837,030,846
Higher Education - Board of Governors	169,453,714	171,028,237	174,960,615	182,208,913
RI Council on the Arts	1,682,788	1,605,814	2,443,965	2,341,921
RI Atomic Energy Commission	668,866	695,636	719,144	765,890
Higher Education Assistance Authority	6,017,049	11,051,448	9,957,984	9,900,422
Historical Preservation and Heritage Commission	1,023,624	1,021,643	1,218,829	1,166,602
Public Telecommunications Authority	1,121,228	1,218,492	1,143,252	1,285,906
Subtotal - Education	\$ 922,701,925	\$ 963,794,011	\$ 985,099,478	\$ 1,034,700,500

Expenditures from General Revenues

	FY2003 Audited	FY2004 Unaudited	FY2005 Rev Revised	FY2006 Recommended
Public Safety				
Attorney General	15,598,431	16,072,198	17,283,697	17,808,654
Corrections	137,096,214	143,881,389	148,105,766	146,602,300
Judicial	63,839,003	66,713,157	72,189,646	72,661,023
Military Staff	2,203,488	2,003,131	2,262,606	2,185,043
E-911 Emergency Telephone System	3,965,519	4,035,744	3,841,168	3,968,299
Fire Safety Code Board of Appeal & Review	241,753	211,695	243,629	265,408
State Fire Marshal	1,352,605	1,514,582	1,912,765	2,368,505
Commission on Judicial Tenure and Discipline	111,692	95,722	125,254	106,650
Rhode Island Justice Commission	166,450	161,664	253,962	253,085
Municipal Police Training Academy	344,422	343,295	361,375	373,710
State Police	38,382,940	39,142,431	42,477,586	44,785,482
Office Of Public Defender	5,935,302	6,290,944	6,915,154	7,677,125
Subtotal - Public Safety	\$ 269,237,819	\$ 280,465,952	\$ 295,972,608	\$ 299,055,284
Natural Resources				
Environmental Management	32,311,629	31,400,308	33,006,632	36,531,685
Coastal Resources Management Council	1,464,113	1,457,650	1,467,463	1,524,855
Water Resources Board	1,037,286	910,475	1,227,071	1,295,239
Subtotal - Natural Resources	\$ 34,813,028	\$ 33,768,433	\$ 35,701,166	\$ 39,351,779
Transportation				
Transportation	-	-	-	-
Subtotal - Transportation	\$ -	\$ -	\$ -	\$ -
Total	\$ 2,690,323,692	\$ 2,779,174,506	\$ 2,963,470,167	\$ 3,069,500,007
Preliminary Closing Adjustments-statewide		188,053		
	\$ 2,690,323,692	\$ 2,779,362,559	\$ 2,963,470,167	\$ 3,069,500,007

Expenditures from Federal Funds

	FY2003 Audited	FY2004 Unaudited	FY2005 Rev Revised	FY2006 Recommended
General Government				
Administration	\$ 32,502,341	\$ 32,219,516	\$ 37,520,461	\$ 25,888,496
Business Regulation	-	-	-	-
Labor and Training	34,400,596	31,660,723	32,169,765	28,569,144
Legislature	-	-	-	-
Lieutenant Governor	-	-	-	-
Secretary of State	28,638	1,502,841	2,573,724	981,955
General Treasurer	329,090	2,372,573	2,188,724	1,499,239
Boards for Design Professionals	-	-	-	-
Board of Elections	-	953,091	1,342,576	1,086,873
Rhode Island Ethics Commission	-	-	-	-
Governor's Office	-	-	-	-
Public Utilities Commission	64,117	58,728	72,490	75,437
Rhode Island Commission on Women	-	-	-	-
Subtotal - General Government	\$ 67,324,782	\$ 68,767,472	\$ 75,867,740	\$ 58,101,144
Human Services				
Children, Youth, and Families	92,044,324	109,087,001	107,206,478	107,444,380
Elderly Affairs	10,325,114	11,776,517	13,284,640	12,846,033
Health	58,733,812	67,020,199	67,988,849	66,752,877
Human Services	811,725,133	911,839,549	944,015,281	996,086,834
Mental Health, Retardation, & Hospitals	217,167,224	241,316,780	235,460,401	240,595,171
Office of the Child Advocate	371,516	84,479	34,172	48,060
Commission on Deaf & Hard of Hearing	-	-	45,336	45,336
RI Developmental Disabilities Council	499,370	481,412	510,313	511,924
Governor's Commission on Disabilities	1,408	17,567	153,349	116,928
Commission for Human Rights	347,282	62,789	213,808	269,705
Office of the Mental Health Advocate	-	-	-	-
Subtotal - Human Services	\$ 1,191,215,183	\$ 1,341,686,293	\$ 1,368,912,627	\$ 1,424,717,248
Education				
Elementary and Secondary	128,195,727	148,125,244	169,112,172	178,766,858
Higher Education - Board of Governors	2,829,217	1,790,817	3,351,931	3,085,532
RI Council on the Arts	575,627	568,613	676,661	758,437
RI Atomic Energy Commission	(2,558)	123,665	325,000	325,000
Higher Education Assistance Authority	5,007,519	7,481,020	10,406,758	12,390,339
Historical Preservation and Heritage Commission	545,283	511,399	603,760	583,881
Public Telecommunications Authority	-	194,865	360,736	-
Subtotal - Education	\$ 137,150,815	\$ 158,795,623	\$ 184,837,018	\$ 195,910,047

Expenditures from Federal Funds

	FY2003 Audited	FY2004 Unaudited	FY2005 Rev Revised	FY2006 Recommended
Public Safety				
Attorney General	1,648,743	1,477,925	2,197,376	1,158,544
Corrections	3,127,232	1,800,396	10,860,192	9,308,564
Judicial	3,267,741	3,294,417	5,071,158	3,129,095
Military Staff	10,857,391	23,876,907	36,578,498	26,461,158
E-911 Emergency Telephone System	-	-	136,000	-
Fire Safety Code Board of Appeal & Review	-	-	-	-
State Fire Marshal	151,515	100,453	340,379	341,635
Commission on Judicial Tenure & Discipline	-	-	-	-
Rhode Island Justice Commission	4,798,274	4,888,895	5,785,219	5,451,607
Municipal Police Training Academy	18,535	21,819	129,351	30,000
State Police	1,768,728	1,323,304	1,740,301	1,379,224
Office Of Public Defender	376,402	384,242	451,359	237,847
Subtotal - Public Safety	\$ 26,014,561	\$ 37,168,358	\$ 63,289,833	\$ 47,497,674
Natural Resources				
Environmental Management	14,887,796	14,771,878	28,357,942	30,190,338
Coastal Resources Management Council	1,653,805	1,541,309	2,832,511	1,753,000
Water Resources Board	172,500	\$553,805	500,000	500,000
Subtotal - Natural Resources	\$ 16,714,101	\$ 16,866,992	\$ 31,690,453	\$ 32,443,338
Transportation				
Transportation	163,081,687	137,100,477	207,381,293	207,852,520
Subtotal - Transportation	\$ 163,081,687	\$ 137,100,477	\$ 207,381,293	\$ 207,852,520
Total	\$ 1,601,501,129	\$ 1,760,385,215	\$ 1,931,978,964	\$ 1,966,521,971

Expenditures From Restricted Receipts

	FY2003	FY2004	FY2005 Rev	FY2006
	Audited	Unaudited	Revised	Recommended
General Government				
Administration	\$ 9,675,537	\$ 9,757,061	\$ 9,618,697	\$ 10,145,202
Business Regulation	403,145	555,047	783,192	808,362
Labor and Training	20,390,413	22,013,607	25,006,814	20,684,521
Legislature	1,256,539	1,488,882	1,101,145	1,272,479
Lieutenant Governor	-	-	-	-
Secretary of State	415,326	475,515	481,587	485,628
General Treasurer	16,478,403	21,878,943	20,909,834	17,198,483
Boards for Design Professionals	-	-	-	-
Board of Elections	-	-	-	-
Rhode Island Ethics Commission	-	-	-	-
Governor's Office	-	-	-	-
Public Utilities Commission	3,827,731	3,909,398	5,369,768	5,634,792
Rhode Island Commission on Women	-	-	-	-
Subtotal - General Government	\$ 52,447,094	\$ 60,078,453	\$ 63,271,037	\$ 56,229,467
Human Services				
Children, Youth, and Families	2,494,922	1,976,012	2,219,959	1,628,401
Elderly Affairs	-	-	-	-
Health	8,627,102	9,903,365	12,687,734	12,631,175
Human Services	3,474,543	3,625,813	4,438,871	5,612,622
Mental Health, Retardation, & Hospitals	43,760	45,970	100,000	100,000
Office of the Child Advocate	-	16,682	1,318	-
Commission on Deaf & Hard of Hearing	-	-	-	-
RI Developmental Disabilities Council	-	-	-	-
Governor's Commission on Disabilities	9,252	12,489	61,635	63,605
Commission for Human Rights	-	-	-	-
Office of the Mental Health Advocate	-	-	-	-
Subtotal - Human Services	\$ 14,649,579	\$ 15,580,331	\$ 19,509,517	\$ 20,035,803
Education				
Elementary and Secondary	1,220,713	1,900,631	3,249,734	4,702,554
Higher Education - Board of Governors	-	446,842	583,355	607,689
RI Council on the Arts	(42,573)	12,132	200,000	200,000
RI Atomic Energy Commission	-	-	-	-
Higher Education Assistance Authority	-	-	-	-
Historical Preservation and Heritage Commission	50,757	77,927	218,900	236,662
Public Telecommunications Authority	-	-	-	-
Subtotal - Education	\$ 1,228,897	\$ 2,437,532	\$ 4,251,989	\$ 5,746,905

Expenditures From Restricted Receipts

	FY2003 Audited	FY2004 Unaudited	FY2005 Rev Revised	FY2006 Recommended
Public Safety				
Attorney General	582,076	667,936	841,962	861,932
Corrections	2,456,374	1,811,063	216,739	136,875
Judicial	6,559,800	7,209,144	7,284,388	7,390,042
Military Staff	114,415	80,255	173,704	176,429
E-911 Emergency Telephone System	-	-	1,534,189	1,656,924
Fire Safety Code Board of Appeal & Review	-	-	-	-
State Fire Marshal	-	-	-	-
Commission on Judicial Tenure & Discipline	-	-	-	-
Rhode Island Justice Commission	11,596	20,421	30,000	30,000
Municipal Police Training Academy	-	-	-	-
State Police	193,184	379,015	445,268	301,100
Office Of Public Defender	-	-	-	-
Sheriffs of Several Counties	-	-	-	-
Subtotal - Public Safety	\$ 9,917,445	\$ 10,167,834	\$ 10,526,250	\$ 10,553,302
Natural Resources				
Environmental Management	9,210,337	9,857,130	11,186,623	10,527,788
Coastal Resources Management Council	3,352,963	5,210,304	250,000	665,733
Water Resources Board	596,555	605,915	939,134	338,899
Subtotal - Natural Resources	13,159,855	\$ 15,673,349	\$ 12,375,757	\$ 11,532,420
Transportation				
Transportation	25,860,444	30,780,882	6,379,851	6,000
Subtotal - Transportation	\$ 25,860,444	\$ 30,780,882	\$ 6,379,851	\$ 6,000
Total	\$ 117,263,314	\$ 134,718,381	\$ 116,314,401	\$ 104,103,897

Expenditures From Other Funds

	FY2003 Audited	FY2004 Unaudited	FY2005 Revised	FY2006 Recommended
General Government				
Administration	\$ 65,301,395	\$ 68,220,419	\$ 68,273,430	\$ 91,723,719
Business Regulation	-	-	-	-
Labor and Training	425,441,233	401,296,204	379,983,149	389,254,534
Legislature	-	-	-	-
Lieutenant Governor	-	-	-	-
Secretary of State	-	-	-	-
General Treasurer	7,647,972	4,812,673	7,746,237	5,499,474
Boards for Design Professionals	-	-	-	-
Board of Elections	-	-	-	-
Rhode Island Ethics Commission	-	-	-	-
Governor's Office	-	-	-	-
Public Utilities Commission	-	-	-	-
Rhode Island Commission on Women	-	-	-	-
Subtotal - General Government	\$ 498,390,600	\$ 474,329,296	\$ 456,002,816	\$ 486,477,727
Human Services				
Children, Youth, and Families	133,637	20,757	965,281	2,629,660
Elderly Affairs	4,955,717	4,726,980	4,780,000	4,800,000
Health	83,519	79,292	112,463	115,076
Human Services	140,000	-	-	385,000
Mental Health, Retardation, & Hospitals	1,250,716	677,591	4,848,366	8,411,261
Office of the Child Advocate	-	-	-	-
Commission on Deaf & Hard of Hearing	-	-	-	-
RI Developmental Disabilities Council	-	-	-	-
Governor's Commission on Disabilities	-	17,000	217,000	300,000
Commission for Human Rights	-	-	-	-
Office of the Mental Health Advocate	-	-	-	-
Subtotal - Human Services	\$ 6,563,589	\$ 5,521,620	\$ 10,923,110	\$ 16,640,997
Education				
Elementary and Secondary	72,088	198,024	1,279,162	277,280
Higher Education - Board of Governors	404,769,856	441,698,505	471,158,277	485,914,437
RI Council on the Arts	-	-	-	-
RI Atomic Energy Commission	144,657	148,511	202,195	157,049
Higher Education Assistance Authority	3,381,948	3,967,934	6,364,746	6,398,486
Historical Preservation and Heritage Commission	-	-	-	-
Public Telecommunications Authority	523,200	935,943	3,565,051	756,911
Subtotal - Education	\$ 408,891,749	\$ 446,948,917	\$ 482,569,431	\$ 493,504,163

Expenditures From Other Funds

	FY2003 Audited	FY2004 Unaudited	FY2005 Revised	FY2006 Recommended
Public Safety				
Attorney General	-	-	397,500	271,000
Corrections	1,135,960	768,627	3,333,975	6,180,648
Judicial	74,215	245,357	852,654	1,250,000
Military Staff	57,260	233,333	721,300	878,825
E-911 Emergency Telephone System	-	-	-	-
Fire Safety Code Board of Appeal & Review	-	-	-	-
State Fire Marshal	-	-	12,599	12,599
Commission on Judicial Tenure & Discipline	-	-	-	-
Rhode Island Justice Commission	-	-	-	-
Municipal Police Training Academy	-	-	-	-
State Police	2,026,060	2,446,387	2,759,587	2,595,511
Office Of Public Defender	-	-	-	-
Subtotal - Public Safety	\$ 3,293,495	\$ 3,693,704	\$ 8,077,615	\$ 11,188,583
Natural Resources				
Environmental Management	1,445,326	1,149,267	6,199,516	5,270,041
Coastal Resources Management Council	145,000	172,000	-	-
Water Resources Board	146,613	\$201,545	504,390	719,312
Subtotal - Natural Resources	\$ 1,736,939	\$ 1,522,812	\$ 6,703,906	\$ 5,989,353
Transportation				
Transportation	105,152,879	119,959,304	100,563,247	100,939,888
Subtotal - Transportation	\$ 105,152,879	\$ 119,959,304	\$ 100,563,247	\$ 100,939,888
Total	\$ 1,024,029,251	\$ 1,051,975,653	\$ 1,064,840,125	\$ 1,114,740,711

Full-Time Equivalent Positions

	FY 2003	FY 2004	FY 2005 Enacted	FY 2005 Revised	FY 2006
General Government					
Administration	1,278.2	1,261.2	1,269.2	1,303.2	1,202.4
Business Regulation	106.0	109.0	111.0	109.0	108.0
Labor & Training	538.7	536.7	536.7	513.7	513.7
Legislature	280.0	280.0	280.0	280.0	280.0
Lieutenant Governor	10.0	10.0	10.0	10.0	10.0
Secretary of State	59.0	59.0	59.0	59.0	59.0
General Treasurer	84.5	84.5	87.5	87.5	87.5
Boards for Design Professionals	4.0	4.0	4.0	4.0	4.0
Board Of Elections	15.0	15.0	15.0	15.0	15.0
Rhode Island Ethics Commission	9.0	9.0	12.0	12.0	12.0
Office of the Governor	47.5	47.5	47.5	47.5	47.5
Public Utilities Commission	43.0	45.0	47.0	46.0	46.0
Rhode Island Commission on Women	2.0	2.0	1.0	1.0	1.0
Subtotal - General Government	2,476.9	2,462.9	2,479.9	2,487.9	2,386.1
Human Services					
Children, Youth, and Families	853.8	849.8	851.8	849.8	849.8
Elderly Affairs	52.6	52.6	52.0	52.0	52.0
Health	506.9	502.9	493.2	497.9	497.9
Human Services	1,069.6	1,058.6	1,071.3	1,069.6	1,172.4
Mental Health, Retardation, & Hospitals	2,067.7	2,021.7	1,999.7	1,992.7	1,992.7
Office of the Child Advocate	12.5	5.8	5.8	5.8	5.8
Commission On the Deaf & Hard of Hearing	3.0	3.0	3.0	3.0	3.0
RI Developmental Disabilities Council	2.0	2.0	2.0	2.0	2.0
Governor's Commission on Disabilities	6.6	6.6	6.6	6.6	6.6
Commission for Human Rights	17.0	15.0	15.0	15.0	15.0
Office of the Mental Health Advocate	3.7	3.7	3.7	3.7	3.7
Subtotal - Human Services	4,595.4	4,521.7	4,504.1	4,498.1	4,600.9
Education					
Elementary and Secondary	328.7	326.7	333.1	333.1	341.1
Office of Higher Education Non-Sponsored Resear	-	-	22.0	-	-
URI Non-Sponsored Research	-	-	1,952.6	-	-
RIC Non-Sponsored Research	-	-	856.2	-	-
CCRI Non-Sponsored Research	-	-	725.9	-	-
Higher Education - Total Non-Sponsored	3,487.4	3,472.1	3,556.7	3,556.7	3,589.7
RI State Council On The Arts	6.0	7.0	7.0	7.0	7.0
RI Atomic Energy Commission	8.6	8.6	8.6	8.6	8.6
Higher Education Assistance Authority	45.6	45.6	46.0	46.0	46.0
Historical Preservation and Heritage Commission	17.6	17.6	17.6	17.6	17.6
Public Telecommunications Authority	22.0	22.0	22.0	22.0	22.0
Subtotal - Education	3,915.9	3,899.6	3,991.0	3,991.0	4,032.0

Full-Time Equivalent Positions

	FY 2003	FY 2004	FY 2005 Enacted	FY 2005 Revised	FY 2006
Public Safety					
Attorney General	227.9	228.5	230.5	230.5	230.5
Corrections	1,538.0	1,522.0	1,539.0	1,586.0	1,589.0
Judicial	721.7	734.5	743.5	743.5	743.5
Military Staff	90.0	93.0	98.0	98.0	103.0
E-911	47.6	50.6	50.6	50.6	50.6
Fire Safety Code Board of Appeal and Review	3.0	3.0	3.0	3.0	3.0
RI State Fire Marshal	21.0	27.0	32.0	32.0	38.0
Commission on Judicial Tenure and Discipline	1.0	1.0	1.0	1.0	1.0
Rhode Island Justice Commission	9.0	9.0	9.0	9.0	9.0
Municipal Police Training Academy	4.0	4.0	4.0	4.0	4.0
State Police	259.0	257.0	281.0	274.0	274.0
Office of the Public Defender	83.2	86.2	87.2	87.5	92.5
Subtotal - Public Safety	3,005.4	3,015.8	3,078.8	3,119.1	3,138.1
Natural Resources					
Environmental Management	549.7	539.7	538.7	538.7	538.1
Coastal Resources Management Council	28.0	28.0	29.0	29.0	29.0
Water Resources Board	9.0	9.0	9.0	9.0	9.0
Subtotal - Natural Resources	586.7	576.7	576.7	576.7	576.1
Transportation					
Transportation	820.7	812.7	815.7	811.7	811.7
Subtotal - Transportation	820.7	812.7	815.7	811.7	811.7
Total Non Sponsored	15,401.0	15,289.4	15,446.2	15,484.5	15,544.9
Higher Education Sponsored Research *					
Office	-	-	1.0	-	-
CCRI	-	-	100.0	-	-
RIC	-	-	78.0	-	-
URI	-	-	602.0	-	-
Subtotal Sponsored Research			781.0	781.0	785.0
Total	15,401.0	15,289.4	16,227.2	16,265.5	16,329.9
Statewide Adjustments					
Legislature Exempt	(280.0)				
Judicial Exempt	(721.7)				
Balance of Vacant Positions/Hiring Freeze	(18.4)				
Imposed Cap	14,380.9	15,289.4	16,227.2	16,265.5	16,329.9
Legislature	280.0				
Judiciary	721.7				
Total Personnel Authorizations	15,382.6	15,289.4	16,227.2	16,265.5	16,329.9
Higher Education Exempt Sponsored Research *	321.8	319.8	-	-	-
Total Personnel	15,704.4	15,609.2	16,227.2	16,265.5	16,329.9

*A total of 781.0 FTE positions in Higher Education in FY 2005 represent FTE's supported by sponsored research funds.

Unlike prior years, these positions are included in the overall FTE Cap. In addition, there are separate caps for each program and for sponsored/non-sponsored research FTE's.

General Revenues as Recommended

	FY 2003 Actual	FY 2004 Preliminary	FY 2005 Revised	FY 2006 Recommended
Personal Income Tax	\$813,341,218	\$890,917,958	\$949,900,000	\$999,261,455
General Business Taxes				
Business Corporations*	62,818,292	75,996,096	86,000,000	91,538,545
Franchise				
Public Utilities Gross Earnings	76,134,288	88,689,212	91,400,000	92,400,000
Financial Institutions	9,804,211	(7,296,194)	(1,100,000)	100,000
Insurance Companies	51,287,425	43,418,735	41,700,000	45,784,623
Bank Deposits	1,697,630	1,579,935	1,600,000	1,600,000
Health Care Provider Assessment	28,140,784	40,317,507	43,400,000	44,100,000
Sales and Use Taxes				
Sales and Use	777,364,781	826,640,919	864,000,000	906,095,581
Motor Vehicle	47,250,900	47,481,034	47,100,000	49,520,200
Motor Fuel	1,022,168	877,113	850,000	875,000
Cigarettes	94,379,289	117,418,114	137,500,000	126,100,000
Alcohol	10,059,399	10,342,162	11,600,000	12,100,000
Controlled Substances	-	-	-	-
Other Taxes				
Inheritance and Gift	24,351,448	23,904,508	27,000,000	27,500,000
Racing and Athletics	4,939,017	4,939,874	4,600,000	4,470,000
Realty Transfer	9,781,150	13,036,709	13,400,000	14,100,000
Total Taxes	2,012,372,000	2,178,263,682	2,318,950,000	2,415,545,404
Departmental Receipts	290,254,791	290,960,946	296,724,214	312,153,372
Taxes and Departmentals	2,302,626,791	2,469,224,628	2,615,674,214	2,727,698,776
Other Sources				
Gas Tax Transfer	25,506,330	8,398,244	9,560,000	11,728,402
Other Miscellaneous	184,086,402	69,168,200	16,799,000	14,966,000
Lottery	236,540,055	281,113,934	318,000,000	356,700,000
Unclaimed Property	8,458,048	17,042,121	16,765,068	11,293,000
Other Sources	454,590,835	375,722,499	361,124,068	394,687,402
Total General Revenues	\$2,757,217,626	\$2,844,947,126	\$2,976,798,282	\$3,122,386,178

* Business Corporations Taxes was merged with Franchise Taxes at the May 2003 Revenue Estimating Conference.

Changes to FY 2005 Enacted Revenue Estimates

	Enacted	Revenue Estimating Conference Estimates	Changes to Adopted Estimates	Total
Personal Income Tax	926,275,286	23,624,714	-	949,900,000
General Business Taxes				
Business Corporations*	91,330,674	(5,330,674)	-	86,000,000
Public Utilities Gross Earnings	86,500,000	4,900,000	-	91,400,000
Financial Institutions	(3,000,000)	1,900,000	-	(1,100,000)
Insurance Companies	41,000,000	700,000	-	41,700,000
Bank Deposits	1,010,000	590,000	-	1,600,000
Health Care Provider Assessment	43,800,000	(400,000)	-	43,400,000
Sales and Use Taxes				
Sales and Use	858,600,000	5,400,000	-	864,000,000
Motor Vehicle	47,100,000	-	-	47,100,000
Motor Fuel	1,092,000	(242,000)	-	850,000
Cigarettes	143,800,000	(6,300,000)	-	137,500,000
Alcohol	10,500,000	1,100,000	-	11,600,000
Controlled Substances	-	-	-	-
Other Taxes				
Inheritance and Gift	25,000,000	2,000,000	-	27,000,000
Racing and Athletics	4,610,000	(10,000)	-	4,600,000
Realty Transfer	11,000,000	2,400,000	-	13,400,000
Total Taxes	2,288,617,960	30,332,040	-	2,318,950,000
Departmental Receipts	303,475,074	(6,475,074)	(276,186)	296,723,814
Taxes and Departmentals	2,592,093,034	23,856,966	(276,186)	2,615,673,814
Other Sources				
Gas Tax Transfer	9,560,000	-	-	9,560,000
Other Miscellaneous	19,173,000	(2,374,000)	-	16,799,000
Lottery	322,397,367	(4,397,367)	-	318,000,000
Unclaimed Property	11,150,000	5,850,000	(234,932)	16,765,068
Other Sources	362,280,367	(921,367)	(234,932)	361,124,068
Total General Revenues	2,954,373,401	22,935,599	(511,118)	2,976,797,882

* Business Corporations Taxes was merged with Franchise Taxes at the May 2003 Revenue Estimating Conference.

Changes to FY 2006 Adopted Revenue Estimates

	Revenue Estimating Conference Estimates	Changes to the Adopted Estimates	Total
Personal Income Tax	999,200,000	61,455	999,261,455
General Business Taxes			
Business Corporations*	91,100,000	438,545	91,538,545
Public Utilities Gross Earnings	92,400,000	-	92,400,000
Financial Institutions	100,000	-	100,000
Insurance Companies	42,700,000	3,084,623	45,784,623
Bank Deposits	1,600,000	-	1,600,000
Health Care Provider Assessment	44,100,000	-	44,100,000
Sales and Use Taxes			
Sales and Use	904,200,000	1,895,581	906,095,581
Motor Vehicle	48,000,000	1,520,200	49,520,200
Motor Fuel	875,000	-	875,000
Cigarettes	126,100,000	-	126,100,000
Alcohol	12,100,000	-	12,100,000
Controlled Substances	-	-	-
Other Taxes			
Inheritance and Gift	27,500,000	-	27,500,000
Racing and Athletics	4,470,000	-	4,470,000
Realty Transfer	14,100,000	-	14,100,000
Total Taxes	2,408,545,000	7,000,404	2,415,545,404
Departmental Receipts	238,000,000	74,153,372	312,153,372
Taxes and Departmentals	2,646,545,000	81,153,776	2,727,698,776
Other Sources			
Gas Tax Transfer	9,600,000	2,128,402	11,728,402
Other Miscellaneous	8,466,000	6,500,000	14,966,000
Lottery	356,700,000	-	356,700,000
Unclaimed Property	11,800,000	(507,000)	11,293,000
Other Sources	386,566,000	8,121,402	394,687,402
Total General Revenues	3,033,111,000	89,275,178	3,122,386,178

* Business Corporations Taxes was merged with Franchise Taxes at the May 2003 Revenue Estimating Conference.

General Revenue Changes to Adopted Estimates

FY 2005

Departmental Revenues

Miscellaneous Departmental Revenues

DEA: Decreased RIPAE Pharmaceutical Rebates for Medicare Drug Card (662,458)

Various: Increase Indirect Cost Recovery Rate from 7.0 to 10.0 Percent 386,272

Subtotal: Miscellaneous Departmental Revenues (\$276,186)

Subtotal: All Departmental Revenues (\$276,186)

Unclaimed Property

Reduced Transfer Due to Higher Indirect Cost Recovery Rate (234,932)

Subtotal: Other Miscellaneous (\$234,932)

Subtotal: Other Sources (\$511,118)

Total FY 2005 General Revenue Adjustments (\$511,118)

General Revenue Changes to Adopted Estimates

FY 2006

Taxes

Personal Income Tax

Repeal ISO Certification Tax Credit	61,455
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<i>Subtotal: Personal Income Taxes</i>	<i>\$61,455</i>
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General Business Taxes

Corporate Income Tax: Repeal ISO Certification Tax Credit	438,545
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Insurance Companies Tax: Repeal Beacon Mutual's Tax Exempt Status	3,084,623
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<i>Subtotal: General Business Taxes</i>	<i>\$3,523,168</i>
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Sales and Use Taxes

Sales & Use Tax: Prepayment of Sales Tax on Cigarettes	1,895,581
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Motor Vehicle Fees: Increase Various Operator License Fees	1,520,200
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<i>Subtotal: Sales and Use Taxes</i>	<i>\$3,415,781</i>
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Subtotal: All Taxes	\$7,000,404
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Departmental Revenues

Licenses and Fees

DHS: Reinstitute Hospital Licensing Fee at 3.45 percent	64,384,118
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<i>Subtotal: Licenses and Fees</i>	<i>\$64,384,118</i>
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Fines and Penalties

Judiciary: Reduce Outstanding Receivable via Enhanced Collection Activity	7,670,000
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<i>Subtotal: Fines and Penalties</i>	<i>\$7,670,000</i>
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Sales and Services

MHRH: Reduce Uncompensated Care Revenues at Slater Hospital	(799,525)
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<i>Subtotal: Sales and Services</i>	<i>(\$799,525)</i>
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Miscellaneous Departmental Revenues

DEA: Increased RIPAE Pharmaceutical Rebates from 340B Program	1,287,500
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DEA: Decreased RIPAE Pharmaceutical Rebates for Medicare Drug Card	(675,000)
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DOA: Gates Foundation Grant	74,400
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DOA: Energy Office Grants	237,485
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Various: Increase Indirect Cost Recovery Rate from 7.0 to 10.0 Percent	1,974,394
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<i>Subtotal: Miscellaneous Departmental Revenues</i>	<i>\$2,898,779</i>
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Subtotal: All Departmental Revenues	\$74,153,372
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General Revenue Changes to Adopted Estimates

FY 2006

Other Sources

Gas Tax

Impose \$0.05 per Gallon Tax on Aviation Gasoline and Jet Fuel	2,128,402
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<i>Subtotal: Gas Tax</i>	<i>\$2,128,402</i>
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Other Miscellaneous

Resource Recovery Corporation: Transfer of Retained Earnings	4,500,000
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UST Financial Responsibility Fund Review Board: Transfer of Retained Earnings	2,000,000
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<i>Subtotal: Other Miscellaneous</i>	<i>\$6,500,000</i>
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Unclaimed Property

Reduced Transfer Due to Higher Indirect Cost Recovery Rate	(507,000)
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<i>Subtotal: Lottery</i>	<i>(\$507,000)</i>
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Subtotal: Other Sources	\$8,121,402
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Total FY 2006 General Revenue Adjustments	\$89,275,178
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Other Revenue Enhancements

FY 2006

Restricted Receipts

DEM: Impose \$1 per Ton Surcharge on Commercial Waste Disposal	600,000
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<i>Subtotal: Restricted Receipts</i>	<i>\$600,000</i>
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Total FY 2005 Other Revenue Adjustments	\$600,000
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Appendix B

Changes to FY 2005

Changes to FY 2005 Enacted General Revenue Budget

	FY2005 Enacted	FY2005 Revised	Difference
Surplus			
Opening Surplus*	43,884,617	47,667,203	3,782,586
Reappropriated Surplus		10,145,888	10,145,888
Subtotal	43,884,617	57,813,091	13,928,474
General Taxes	2,288,617,960	2,288,617,960	-
Revenue estimators' revision	-	30,332,040	30,332,040
Subtotal	2,288,617,960	2,318,950,000	30,332,040
Departmental Revenues	303,475,074	303,475,074	-
Revenue estimators' revision	-	(6,475,074)	(6,475,074)
Governor's Changes to Adopted Estimates		(276,186)	(276,186)
Subtotal	303,475,074	296,723,814	(6,751,260)
Other Sources			
Gas Tax Transfers	9,560,000	9,560,000	-
Rev Estimators' revision-Gas Tax		-	-
Other Miscellaneous	19,173,000	19,173,000	-
Rev Estimators' revision-Miscellaneous	-	(2,374,000)	(2,374,000)
Lottery	322,397,367	322,397,367	-
Revenue Estimators' revision-Lottery	-	(4,397,367)	(4,397,367)
Unclaimed Property	11,150,000	11,150,000	-
Revenue Estimators' revision-Unclaimed		5,850,000	5,850,000
Governor's Changes to Adopted Estimates		(234,932)	(234,932)
Subtotal	362,280,367	361,124,068	(1,156,299)
Total Revenues	2,954,373,401	2,976,797,882	22,424,481
Budget Stabilization	(59,965,160)	(60,489,302)	(524,141)
Total Available	2,938,292,858	2,974,121,671	35,828,813
Actual/Enacted Expenditures	2,937,776,732	2,937,776,732	-
Reappropriations	-	10,145,888	10,145,888
Supplemental appropriation		15,547,547	15,547,547
Total Expenditures	2,937,776,732	2,963,470,167	25,693,435
Free Surplus	516,126	10,651,504	10,135,378
Reappropriations		-	-
Total Ending Balances	516,126	10,651,504	10,135,378
Budget Reserve and Cash Stabilization Account	89,947,741	90,733,953	786,212

Changes to FY 2005 Enacted Revenue Estimates

	Enacted	Revenue Estimating Conference Estimates	Changes to Adopted Estimates	Total
Personal Income Tax	926,275,286	23,624,714	-	949,900,000
General Business Taxes				
Business Corporations*	91,330,674	(5,330,674)	-	86,000,000
Public Utilities Gross Earnings	86,500,000	4,900,000	-	91,400,000
Financial Institutions	(3,000,000)	1,900,000	-	(1,100,000)
Insurance Companies	41,000,000	700,000	-	41,700,000
Bank Deposits	1,010,000	590,000	-	1,600,000
Health Care Provider Assessment	43,800,000	(400,000)	-	43,400,000
Sales and Use Taxes				
Sales and Use	858,600,000	5,400,000	-	864,000,000
Motor Vehicle	47,100,000	-	-	47,100,000
Motor Fuel	1,092,000	(242,000)	-	850,000
Cigarettes	143,800,000	(6,300,000)	-	137,500,000
Alcohol	10,500,000	1,100,000	-	11,600,000
Controlled Substances	-	-	-	-
Other Taxes				
Inheritance and Gift	25,000,000	2,000,000	-	27,000,000
Racing and Athletics	4,610,000	(10,000)	-	4,600,000
Realty Transfer	11,000,000	2,400,000	-	13,400,000
Total Taxes	2,288,617,960	30,332,040	-	2,318,950,000
Departmental Receipts	303,475,074	(6,475,074)	(276,186)	296,723,814
Taxes and Departmentals	2,592,093,034	23,856,966	(276,186)	2,615,673,814
Other Sources				
Gas Tax Transfer	9,560,000	-	-	9,560,000
Other Miscellaneous	19,173,000	(2,374,000)	-	16,799,000
Lottery	322,397,367	(4,397,367)	-	318,000,000
Unclaimed Property	11,150,000	5,850,000	(234,932)	16,765,068
Other Sources	362,280,367	(921,367)	(234,932)	361,124,068
Total General Revenues	2,954,373,401	22,935,599	(511,118)	2,976,797,882

* Business Corporations Taxes was merged with Franchise Taxes at the May 2003 Revenue Estimating Conference.

Changes to FY 2006 Adopted Revenue Estimates

	Revenue Estimating Conference Estimates	Changes to the Adopted Estimates	Total
Personal Income Tax	999,200,000	61,455	999,261,455
General Business Taxes			
Business Corporations*	91,100,000	438,545	91,538,545
Public Utilities Gross Earnings	92,400,000	-	92,400,000
Financial Institutions	100,000	-	100,000
Insurance Companies	42,700,000	3,084,623	45,784,623
Bank Deposits	1,600,000	-	1,600,000
Health Care Provider Assessment	44,100,000	-	44,100,000
Sales and Use Taxes			
Sales and Use	904,200,000	1,895,581	906,095,581
Motor Vehicle	48,000,000	1,520,200	49,520,200
Motor Fuel	875,000	-	875,000
Cigarettes	126,100,000	-	126,100,000
Alcohol	12,100,000	-	12,100,000
Controlled Substances	-	-	-
Other Taxes			
Inheritance and Gift	27,500,000	-	27,500,000
Racing and Athletics	4,470,000	-	4,470,000
Realty Transfer	14,100,000	-	14,100,000
Total Taxes	2,408,545,000	7,000,404	2,415,545,404
Departmental Receipts	238,000,000	74,153,372	312,153,372
Taxes and Departmentals	2,646,545,000	81,153,776	2,727,698,776
Other Sources			
Gas Tax Transfer	9,600,000	2,128,402	11,728,402
Other Miscellaneous	8,466,000	6,500,000	14,966,000
Lottery	356,700,000	-	356,700,000
Unclaimed Property	11,800,000	(507,000)	11,293,000
Other Sources	386,566,000	8,121,402	394,687,402
Total General Revenues	3,033,111,000	89,275,178	3,122,386,178

* Business Corporations Taxes was merged with Franchise Taxes at the May 2003 Revenue Estimating Conference.

Changes to FY2005 Enacted General Revenue Expenditures

	FY 2005 Enacted	Reappropriation	Supplemental (Decrease)/ Increase	Total Authorization
General Government				
Administration	\$ 415,624,076	\$ 3,870,898	\$ (3,273,023)	\$ 416,221,951
Business Regulation	10,053,349	-	(231,313)	9,822,036
Labor and Training	6,921,202	-	18,391	6,939,593
Legislature	27,576,547	3,867,590	(2,313,714)	29,130,423
Lieutenant Governor	865,343	-	3,733	869,076
Secretary of State	5,041,567	29,984	60,613	5,132,164
General Treasurer	5,037,957	775,258	(2,207,236)	3,605,979
Boards for Design Professionals	413,929	-	5,564	419,493
Board of Elections	1,608,350	-	(2,380)	1,605,970
Rhode Island Ethics Commission	1,170,328	-	(40,735)	1,129,593
Governor's Office	4,345,275	44,467	7,383	4,397,125
Public Utilities Commission	820,154	-	(141,620)	678,534
Rhode Island Commission on Women	83,639	-	237	83,876
Subtotal - General Government	\$ 479,561,716	\$ 8,588,197	\$ (8,114,100)	\$ 480,035,813
Human Services				
Children, Youth, and Families	143,688,465	-	9,884,192	153,572,657
Elderly Affairs	30,014,372	-	(2,096,448)	27,917,924
Health	30,011,800	-	(57,246)	29,954,554
Human Services	707,486,242	50,000	11,620,847	719,157,089
Mental Health, Retardation, & Hospitals	226,303,781	17,108	7,230,550	233,551,439
Office of the Child Advocate	501,168	-	(106,208)	394,960
Commission on Deaf & Hard of Hearing	272,198	-	7,342	279,540
RI Developmental Disabilities Council	-	-	-	-
Governor's Commission on Disabilities	533,865	-	(25,382)	508,483
Commission for Human Rights	984,444	-	4,855	989,299
Office of the Mental Health Advocate	331,668	-	3,489	335,157
Subtotal - Human Services	\$ 1,140,128,003	\$ 67,108	\$ 26,465,991	\$ 1,166,661,102
Education				
Elementary and Secondary	797,635,750	127,253	(3,107,314)	794,655,689
Higher Education - Board of Governors	174,255,556	-	705,059	174,960,615
RI Council on the Arts	2,442,064	-	1,901	2,443,965
RI Atomic Energy Commission	727,045	-	(7,901)	719,144
Higher Education Assistance Authority	9,955,589	-	2,395	9,957,984
Historical Preservation and Heritage Commission	1,192,997	28,000	(2,168)	1,218,829
Public Telecommunications Authority	1,238,482	-	(95,230)	1,143,252
Subtotal - Education	\$ 987,447,483	\$ 155,253	\$ (2,503,258)	\$ 985,099,478

Changes to FY2005 Enacted General Revenue Expenditures

	FY 2005 Enacted	Reappropriation	Supplemental (Decrease)/ Increase	Total Authorization
Public Safety				
Attorney General	17,294,162	49,472	(59,937)	17,283,697
Corrections	147,450,150	638,516	17,100	148,105,766
Judicial	71,666,839	522,807	-	72,189,646
Military Staff	2,175,898	-	86,708	2,262,606
E-911	3,821,407	-	19,761	3,841,168
Fire Safety Code Board of Appeal & Review	241,338	-	2,291	243,629
Fire Safety & Training Academy	1,977,834	-	(65,069)	1,912,765
Commission on Judicial Tenure and Discipline	102,842	-	22,412	125,254
Rhode Island Justice Commission	248,367	-	5,595	253,962
Municipal Police Training Academy	361,327	-	48	361,375
State Police	43,012,525	101,106	(636,045)	42,477,586
Office Of Public Defender	6,852,438	23,429	39,287	6,915,154
Sheriffs of Several Counties				-
Subtotal - Public Safety	\$ 295,205,127	\$ 1,335,330	\$ (567,849)	\$ 295,972,608
Environmental Management	32,745,029	-	261,603	33,006,632
Coastal Resources Management Council	1,460,351	-	7,112	1,467,463
Water Resources Board	1,229,023	-	(1,952)	1,227,071
Subtotal - Natural Resources	\$ 35,434,403	\$ -	\$ 266,763	\$ 35,701,166
Transportation				
Transportation	-	-	-	-
Subtotal - Transportation	-	-	-	-
Total	\$2,937,776,732	\$10,145,888	\$15,547,547	\$2,963,470,167
Transportation-Gas Tax Funding				
Transportation	\$ 134,627,501	\$ -	\$ 19,999	\$ 134,647,500

Changes to FY 2005 Enacted Agency General Revenue Expenditures

	FY2005 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2005 Projected Expenditures
<u>General Government</u>				
Administration				
Central Management	3,820,003			
Personnel/Operating Savings			(21,903)	
Temporary Services			11,210	
Actuarial Study			12,000	
Establishment of New Legal Services Unit			1,422,669	
Expenses Judicial Nominating Comm.			16,123	
	3,820,003	-	1,440,099	5,260,102
Accounts & Control	4,004,758			
Personnel Savings			(9,000)	
	4,004,758	-	(9,000)	3,995,758
Budgeting	2,349,275	17,953		
Personnel - Transfer of FTE from DOT			55,529	
Consultants - Balance Forward not Required			(17,953)	
	2,349,275	17,953	37,576	2,404,804
Municipal Affairs	1,188,426			
Personnel/Operating Savings			(172,296)	
	1,188,426	-	(172,296)	1,016,130
Purchasing	2,015,876			
Personnel Savings			(5,942)	
	2,015,876	-	(5,942)	2,009,934
Auditing	1,690,061			
Personnel Savings			(38,632)	
	1,690,061	-	(38,632)	1,651,429
Human Resources	6,882,631	17,349		
Personnel Savings			(83,258)	
Establishment of New Legal Services Unit			(974,919)	
Claims Technology - Blue Cross Audit			101,858	
Consultant - Hewitt - Health Benefits			384,000	
	6,882,631	17,349	(572,319)	6,327,661
Personnel Appeal Board	117,622			
Share Position with Capital Projects			(24,453)	
	117,622	-	(24,453)	93,169
Taxation	17,684,104	500,000		
Personnel Savings			(205,233)	
Establishment of New Legal Services Unit			(318,763)	
Operating Costs			(69,767)	

Changes to FY 2005 Enacted Agency General Revenue Expenditures

	FY2005 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2005 Projected Expenditures
	17,684,104	500,000	(593,763)	17,590,341
Registry	15,354,008			
Personnel			(37,388)	
Establishment of New Legal Services Unit			(44,521)	
Contractual Services			277,436	
Operating Costs			(36,932)	
New Building Costs			197,422	
Operator Control Move			175,000	
Digital Licenses			330,750	
	15,354,008	-	861,767	16,215,775
Child Support	3,309,006			
Personnel/Operating Savings			(140,428)	
Contractual Services			102,462	
	3,309,006	-	(37,966)	3,271,040
Central Services	11,622,086	1,750,000		
Personnel			291,288	
Operating			(100,145)	
Energy Office Grants	662,515		237,071	
Renewable Energy Program	400,000		849,606	
Utility Costs			503,150	
	12,684,601	1,750,000	1,780,970	16,215,571
Office of Library & Information Services	4,453,301	292,859		
Personnel/Operating Savings			(14,511)	
Gates Foundation Grant			82,350	
Executive Director of Housing			30,660	
	4,453,301	292,859	98,499	4,844,659
General		1,292,737		
Motor Vehicle Exise Tax Rev Estimate	104,987,142			
Information Processing Overhead	680,000			
Miscellaneous Grants	1,018,200		55,000	
Shepard Building Operating/Parking	1,970,331		105,500	
Rhode Island Sports Foundation	550,000			
Asset Inventory	150,000			
Torts-Courts	400,000			
Property Tax Relief Credit	6,000,000			
State Employees/Teachers Retiree Health Subsidy	5,644,039		797,572	
Race and Community Relations Commission	-		50,000	
Economic Development Corporation	6,820,287			
Office of City & Town Development - EDC	375,000			
EPScore - EDC	1,500,000		(1,500,000)	
Centers of Excellence	3,000,000			
Economic Policy Council	300,000			

Changes to FY 2005 Enacted Agency General Revenue Expenditures

	FY2005 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2005 Projected Expenditures
Housing Resources Commission	3,260,147			
Neighborhood Opportunities Program	5,000,000			
Property Revaluation	860,656			
General Revenue Sharing Program	52,438,532			
Payment in Lieu of Tax Exempt Properties	22,716,117			
Distressed Communities Relief Program	8,533,333			
Resource Sharing and State Library Aid	8,091,959		(7,143)	
Library Construction Aid	2,621,329		(79,844)	
Statewide Benefit Adjustments	-		547,733	
	236,917,072	1,292,737	(31,182)	238,178,627
Debt Service Payments	89,725,442			
Debt Service			(4,713,338)	
	89,725,442	-	(4,713,338)	85,012,104
Sheriffs	13,427,890			
Personnel Savings			(34,626)	
	13,427,890	-	(34,626)	13,393,264
Retirement Alternative				
Retirement Savings	-		(1,258,417)	
	-	-	(1,258,417)	(1,258,417)
	415,624,076	3,870,898	(3,273,023)	416,221,951
Business Regulation				
Central Management	1,686,137			
Personnel turnover			(582)	
Classified Non-Union COLA/ Medical			9,609	
Operating			5,717	
Statewide Medical & Retiree Health Changes			5,043	
	1,686,137	-	19,787	1,705,924
Banking Regulation	1,687,281			
Personnel turnover			(27,728)	
Classified Non-Union COLA/ Medical			3,309	
Operating			8,971	
Statewide Medical & Retiree Health Changes			6,694	
	1,687,281	-	(8,754)	1,678,527
Securities Regulation	806,336			
Personnel turnover			(4,451)	
Classified Non-Union COLA/ Medical			2,940	
Operating			(16,817)	
Statewide Medical & Retiree Health Changes			3,609	
	806,336	-	(14,719)	791,617
Commercial Licensing and Regulation	1,206,764			
Personnel turnover			(2,226)	

Changes to FY 2005 Enacted Agency General Revenue Expenditures

	FY2005 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2005 Projected Expenditures
Classified Non-Union COLA/ Medical			3,331	
Personnel-purchased services			(34,153)	
Operating			51,285	
Statewide Medical & Retiree Health Changes			2,645	
	1,206,764	-	20,882	1,227,646
Racing and Athletics	546,145	-		
Personnel turnover			(68,059)	
Classified Non-Union COLA/ Medical			1,445	
Operating			(6,469)	
Statewide Medical & Retiree Health Changes			1,644	
	546,145	-	(71,439)	474,706
Insurance Regulation	3,985,206			
Personnel turnover			(174,043)	
Classified Non-Union COLA/ Medical			4,143	
Personnel-purchased services			30,000	
Operating			(55,763)	
Statewide Medical & Retiree Health Changes			17,917	
	3,985,206	-	(177,746)	3,807,460
Board of Accountancy	135,480			
Operating			(234)	
Statewide Medical & Retiree Health Changes			910	
	135,480		676	136,156
Total	10,053,349	-	(231,313)	9,822,036
Labor and Training				
Central Management	272,253			
Arbitration of Teacher Disputes			(5,000)	
Classified Non-Union COLA/ Medical			1,138	
Shift Personnel from Workforce Regulation			101,961	
Operating			(3,098)	
Medical & Retiree Health Adjustments			1,673	
	272,253	-	96,674	368,927
Workforce Regulation and Safety	3,398,566			
Shift Personnel to Central Management			(89,547)	
Shift Payroll to Tardy and Interest Funds			(22,217)	
Classified Non-Union COLA/ Medical			9,683	
Operating			4,949	
Grants and Benefits (Retiree Health)			(1,018)	
Medical & Retiree Health Adjustments			15,104	
	3,398,566		(83,046)	3,315,520
Income Support	2,908,229			

Changes to FY 2005 Enacted Agency General Revenue Expenditures

	FY2005 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2005 Projected Expenditures
Personnel and Operating			2,675	
Police and Fire Relief Payments			26,657	
Medical & Retiree Health Adjustments			540	
	2,908,229	-	29,872	2,938,101
Labor Relations Board	342,154			
Personnel			(21,458)	
Operating			(4,725)	
Medical & Retiree Health Adjustments			1,074	
	342,154	-	(25,109)	317,045
Total	6,921,202	-	18,391	6,939,593
Legislature				
Legislature	27,576,547			
General Assembly			(490,073)	
Fiscal Advisory Staff			(11,974)	
Legislative Council			(188,826)	
J.C.L.S - Reappropriation.		3,867,590		
J.C.L.S - Un-requested Reappropriation.			(2,088,654)	
J.C.L.S			215,277	
Auditor General			107,206	
Special Legislative Commissions			(2,776)	
Medical and Retiree Health Adjustment			142,445	
Insurance			3,661	
Total	27,576,547	3,867,590	(2,313,714)	29,130,423
Office of the Lieutenant Governor				
Lt. Governor's Office - General	865,343			
Salary & Fringe Costs			2,058	
Clerical Services			(2,058)	
Medical and Retiree Health Adjustment			3,733	
Total	865,343	-	3,733	869,076
Secretary of State				
Administration	1,504,994			
Salary and Fringe Benefits			26,573	
Medical and Retiree Health Adjustment			6,908	
Insurance			1,622	
Fiscal Fitness Savings, Operating Costs			(3,060)	
	1,504,994	-	32,043	1,537,037
Corporations	1,499,570	29,984		
Salary and Fringe Benefits			(39,863)	
Medical and Retiree Health Adjustment			8,573	
Temporary Personnel Services			17,565	

Changes to FY 2005 Enacted Agency General Revenue Expenditures

	FY2005 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2005 Projected Expenditures
Operating Expenses			23,692	
Insurance			132	
Fiscal Fitness Savings, Operating Costs			(2,457)	
UCC Automated System	42,000		11,276	
	1,541,570	29,984	18,918	1,590,472
State Archives	97,132			
Salary and Fringe Benefits			(8,854)	
Medical and Retiree Health Adjustment			484	
Insurance			3,832	
Fiscal Fitness Savings, Operating Costs			(2,040)	
Operating Expenses			3,523	
	97,132	-	(3,055)	94,077
Elections	743,196			
Salary and Fringe Benefits			(42,428)	
Medical and Retiree Health Adjustment			1,170	
Insurance			12	
Fiscal Fitness Savings, Operating Costs			(1,456)	
Primary/General Elections Costs			36,971	
Referenda/Legal Services			49,000	
	743,196	-	43,269	786,465
State Library	727,344			
Salary and Fringe Benefits			(6,529)	
Medical and Retiree Health Adjustment			1,682	
Insurance			(75)	
Fiscal Fitness Savings, Operating Costs			(1,920)	
Operating			(9,729)	
	727,344	-	(16,571)	710,773
Office of Public Information	427,331			
Salary and Fringe Benefits			(15,304)	
Medical and Retiree Health Adjustment			1,277	
Insurance			37	
Fiscal Fitness Savings, Operating Costs			(2,401)	
Misc. Purchased Services			(4,000)	
Operating			6,400	
	427,331	-	(13,991)	413,340
Total	5,041,567	29,984	60,613	5,132,164
Office of the General Treasurer				
Treasury	2,512,566			
Personnel			(12,612)	
Medical and Retiree Health Adjustment			10,316	
Operating			(16,969)	

Changes to FY 2005 Enacted Agency General Revenue Expenditures

	FY2005 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2005 Projected Expenditures
	2,512,566	-	(19,265)	2,493,301
RI Refunding Bond Authority	72,308			
Medical and Retiree Health Adjustment			67	
Operating			(180)	
	72,308	-	(113)	72,195
Crime Victim Compensation Program	2,453,083	775,258		
Medical and Retiree Health Adjustment			1,404	
Operating			(2,189,262)	
	2,453,083	775,258	(2,187,858)	1,040,483
Total	5,037,957	775,258	(2,207,236)	3,605,979
Boards For Design Professionals				
Boards For Design Professionals	413,929			
Personnel			668	
Legal Services			3,407	
Medical and Retiree Health Adjustment			1,489	
Total	413,929	-	5,564	419,493
Board of Elections				
Board Of Elections	1,608,350			
Salary and Fringe Benefits			(87,790)	
Medical and Retiree Health Adjustment			5,867	
Purchased Legal and Security Services			60,140	
Special Elections/Postage & Operating		-	18,000	
Insurance			1,403	
Total	1,608,350	-	(2,380)	1,605,970
R I Ethics Commissions				
RI Ethics Commission	1,170,328			
Personnel Adjustments			(46,150)	
Operating Adjustments			1,714	
Medical and Retiree Health Adjustment			3,701	
Total	1,170,328	-	(40,735)	1,129,593
Office of the Governor				
Office Of Governor	4,345,275			
Reappropriation		44,467	-	
Personnel Costs			(2,074)	
Fiscal Fitness Savings, Operating Costs			(8,379)	
Medical and Retiree Health Adjustment			17,836	
Total	4,345,275	44,467	7,383	4,397,125
Public Utilities Commission				
Public Utilities Commission	820,154			

Changes to FY 2005 Enacted Agency General Revenue Expenditures

	FY2005 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2005 Projected Expenditures
Payroll - 2.0 FTEs (2004 PL, Ch 569)			(150,000)	
Payroll - Current Service			(8,174)	
Payroll - Non-union COLA (Salaries and Benefit)			1,126	
Medical and Retiree Health Adjustment			1,168	
Contract Services			9,300	
Other Operating			4,960	
Total	820,154	-	(141,620)	678,534
Rhode Island Commission on Women				
Rhode Island Commission on Women	83,639			
Personnel			(2,795)	
Operating			2,795	
Woman of the Year Award				
Medical and Retiree Health Adjustment			237	
Total	83,639	-	237	83,876
Sub-Total General Government	479,561,716	8,588,197	(8,114,100)	480,035,813

Human Services

Children, Youth, and Families

Central Management	7,814,153			
Salaries and Fringe Benefits			52,375	
Classified Non-Union COLA/ Medical			24,401	
Overtime			28,500	
Retro for Clinical Training Specialist			61,758	
Assoc. Director- Juvenile Corrections			40,535	
Consultants			(169,959)	
Operating			127,960	
Grants and Benefits			96	
Medical and Retiree Health Adjustment			26,923	
	7,814,153	-	192,589	8,006,742
Children's Behavioral Health	21,866,852			
Salaries and Fringe Benefits			(179,239)	
Classified Non-Union COLA/ Medical			2,087	
Consultant Services			207,316	
Operating			(89,161)	
Grants and Benefits			849,537	
Step Down Bed Program			632,198	
SSI, Adaptive Rite Care			624,055	
Behavioral Rite Care			438,525	
Hospital Stays of 30 days or less			1,743,000	
Implementation of AND rates			405,835	
Managed Care Savings			590,355	
Medical and Retiree Health Adjustment			7,233	
	21,866,852	-	5,231,741	27,098,593

Changes to FY 2005 Enacted Agency General Revenue Expenditures

	FY2005 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2005 Projected Expenditures
Juvenile Corrections	28,553,943			
Salaries and Fringe Benefits			443,899	
Classified Non-Union COLA/ Medical			4,998	
Consultant Services			287,466	
Operating			(69,617)	
Grants and Benefits			(605,137)	
Medical and Retiree Health Adjustment			117,742	
	28,553,943	-	179,351	28,733,294
Child Welfare	85,253,517			
Salaries and Fringe Benefits			(150,650)	
Classified Non-Union COLA/ Medical			6,615	
Retro for Clinical Training Specialist			86,565	
Reallocation of Case Aide Technicians			56,101	
Consultant Services			150,814	
Operating			195,552	
Grants and Benefits			52,215	
Adoption and Foster Care Bonus			(40,000)	
Purchase of Service Placements			3,779,401	
Medical and Retiree Health Adjustment			143,898	
	85,253,517	-	4,280,511	89,534,028
Higher Education Opportunity Incentive Grant	200,000	-	-	
Total	200,000	-	-	200,000
Total	143,688,465	-	9,884,192	153,572,657
Elderly Affairs				
Elderly Affairs	15,242,626			
Personnel - Administrative Services			21,705	
Medical & Retiree Health Adjustments			11,163	
Senior Employment Program Outsourced			(22,661)	
Operating Adjustments			(20,017)	
Rental of Outside Property			(82,059)	
Leveraged Purchases Savings			(4,331)	
RIPAE - Drug Cost	14,771,146		(2,906,247)	
RIPAE - Management Services			(73,441)	
Protective Services	600			
Classified Non-Union COLA			15,718	
Classified Non-Union Medical Adjustment			(3,265)	
MMIS Medicaid Payments - Taxable			47,011	
Home & Community Care - Medicaid Waiver			575,926	
Transportation- Paratransit Program			275,000	
Replace depleted Federal Case Management Funds			72,000	
All other			(2,950)	
Total	30,014,372	-	(2,096,448)	27,917,924

Changes to FY 2005 Enacted Agency General Revenue Expenditures

	FY2005 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2005 Projected Expenditures
Health				
Central Management	4,676,158			
Classified Non-Union COLA/ Medical			12,254	
Increased Indirect Cost Recovery Allocation			(230,000)	
Medical and Retiree Health Adjustment			7,447	
Contract Services			(1,484)	
Other Operating			(6,016)	
	4,676,158	-	(217,799)	4,458,359
 State Medical Examiner	 1,826,750			
Payroll			42,260	
Classified Non-Union COLA/ Medical			1,223	
Medical and Retiree Health Adjustment			6,977	
Contract Services			(37,295)	
Other Operating			3,632	
	1,826,750	-	16,797	1,843,547
 Family Health	 2,831,389			
Payroll - OHHS (1.0 FTE)			111,200	
Classified Non-Union COLA/ Medical			3,802	
Medical and Retiree Health Adjustment			3,923	
Other Operating			(19,584)	
Grants - Family Health			(3,417)	
	2,831,389	-	95,924	2,927,313
 Health Services Regulation	 4,618,305			
Payroll			(210,409)	
Classified Non-Union COLA/ Medical			19,575	
Medical and Retiree Health Adjustment			21,107	
Nursing Home Patient Saftety Act - 6.0 FTEs			165,013	
Health Facility Surveyor (ALR) - 0.3 FTE			26,450	
License 2000 Software Maintenance			50,000	
Other Contract Services			(8,575)	
Mt. St. Francis Health Center - Solvency Review			20,000	
Nursing Home Patient Tracking System Software			50,000	
Other Operating			8,517	
Benefits - Postemployment				
	4,618,305	-	141,678	4,759,983
 Environmental Health	 4,429,906			
Payroll - Current Service			47,932	
Classified Non-Union COLA/ Medical			14,551	
Medical and Retiree Health Adjustment			21,222	
Contract Services			(111,800)	
KYRAN Database Management Services			48,636	
Other Operating			14,750	

Changes to FY 2005 Enacted Agency General Revenue Expenditures

	FY2005 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2005 Projected Expenditures
	4,429,906	-	35,291	4,465,197
Health Laboratories	6,008,168			
Payroll			(211,871)	
Classified Non-Union COLA/ Medical			9,272	
Medical and Retiree Health Adjustment			21,496	
Contract Services			(5,500)	
Laboratory Supplies			71,000	
Other Operating			17,619	
	6,008,168	-	(97,984)	5,910,184
Disease Prevention and Control	4,786,122			
Payroll			(154,271)	
Classified Non-Union COLA/ Medical			3,519	
Medical and Retiree Health Adjustment			4,181	
Contract Services			(2,500)	
Smoking Cessation	835,002			
Health Promotion Awareness/Media Relations			2,605	
Rabies Vaccination Emergency			50,000	
Medical Professional Loan Repayment Program			17,000	
Other Operating			83,983	
Other Health Promotion and Education Grant			(35,670)	
	5,621,124	-	(31,153)	5,589,971
Total	30,011,800	-	(57,246)	29,954,554
Human Services				
Central Management	6,643,017	50,000		
Personnel			(35,118)	
Personnel- Non-union COLA/ Medical			18,636	
Medical & Retiree Health Adjustments			17,546	
Reallocation, one FTE to DOA Capital Projects			(64,303)	
Operating			(22,288)	
Reallocation, grant to Health Care Quality			(175,000)	
	6,643,017	50,000	(260,527)	6,432,490
Individual and Family Support	21,297,116			
Personnel			(386,837)	
Personnel- Non-union COLA/ Medical			8,276	
Medical & Retiree Health Adjustments			70,722	
Information Services			(218,053)	
Adaptive Telephone Equipment Legislation			50,000	
Other operating and grants			73,550	
	21,297,116	-	(402,342)	20,894,774
Veterans' Affairs	16,783,678			

Changes to FY 2005 Enacted Agency General Revenue Expenditures

	FY2005 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2005 Projected Expenditures
Reduced federal reimbursents			128,664	
Personnel			(605,896)	
Personnel- Non-union COLA/ Medical			7,448	
Medical & Retiree Health Adjustments			103,813	
Contract Services			128,060	
Operating			131,962	
	16,783,678	-	(105,949)	16,677,729
Health Care Quality, Financing and Purchasing	28,155,875			
Personnel			(250,755)	
Personnel- Non-union COLA/ Medical			5,480	
Medical & Retiree Health Adjustments			51,320	
Contract Services			193,393	
Other operating and grants			62,216	
340B Contractor			400,000	
Reallocation grant from Central Management			175,000	
	28,155,875	-	636,654	28,792,529
Medical Benefits			-	
Hospitals	104,294,973			
Nursing Facilities	136,613,825			
Managed Care	174,409,991		(68,000)	
Enhanced Federal Reimbursements			(225,000)	
Special Education	15,561,000			
Other	103,983,202			
Increase PARI Slots			(66,732)	
Enhanced Third Party Reimbursents- Pharmaceuticals			(89,400)	
Caseload Conference			7,837,009	
	534,862,991	-	7,387,877	542,250,868
S.S.I. Program- Caseload Conference	27,299,682			
Caseload Conference			463,406	
	27,299,682	-	463,406	27,763,088
Family Independence Program				
Child Care	57,349,929			
TANF/Family Independence Program	11,711,783			
TANF/FIP Caseload Conference			2,360,969	
TANF- Child Support Enforcement Penalty			1,417,510	
TANF- Employment Plans before Coverage			(84,757)	
Child Care- Caseload Conference			566,675	
	69,061,712	-	4,260,397	73,322,109
State Funded Programs				
General Public Assistance	3,332,171			
Citizenship Participation Program	50,000			
GPA Hardship Program			56,845	

Changes to FY 2005 Enacted Agency General Revenue Expenditures

	FY2005 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2005 Projected Expenditures
GPA- Caseload Conference			(415,514)	
	3,382,171	-	(358,669)	3,023,502
Total	707,486,242	50,000	11,620,847	719,157,089
Mental Health, Retardation, & Hospitals				
Central Management	2,244,163			
Turnover Savings			(118,613)	
Medical and Retiree Health Adjustment			9,213	
Insurance			149	
Classified Non-Union COLA/ Medical			15,199	
Consumer Grant			(26,700)	
	2,244,163		(120,752)	2,123,411
		-		
Hosp. & Community System Support	22,208,707			
Turnover Savings			(322,365)	
Medical and Retiree Health Adjustment			52,055	
Classified Non-Union COLA/ Medical			26,633	
Patient Billing System Improvement			10,000	
Power Plant Operating Contract			(557)	
Utilities - Oil			1,190,830	
Utilities - Gas			808,638	
Utilities - Electricity			538,856	
Utilities - Sewer			(614,319)	
Insurance			58,794	
Lead Paint Inspections			31,000	
Other Operating Adjustments			19,602	
Total	22,208,707	-	1,799,167	24,007,874
Services. for the Developmentally Disabled	102,063,777			
RICLAS Salary/Overtime			497,459	
Medical and Retiree Health Adjustment			100,243	
Private Community Personnel			(167,733)	
Classified Non-Union COLA/ Medical			25,466	
Operating Expenses			30,660	
Re-Base Private Community Grant Services			3,198,399	
Insurance			(50,260)	
Pirovano Trust		17,108	-	
	102,063,777	17,108	3,634,234	105,715,119
Integrated Mental Health Services	39,474,057			
Turnover Savings			(129,757)	
Medical and Retiree Health Adjustment			5,350	
Classified Non-Union COLA/ Medical			11,243	
Transfer Capital Position to DOA			(46,508)	

Changes to FY 2005 Enacted Agency General Revenue Expenditures

	FY2005 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2005 Projected Expenditures
In-Patient Psychiatric Services			182,414	
CMAP Pharmaceuticals/Operating			637,934	
Insurance			(3,229)	
Medicaid Utilization - Community Services			852,436	
	39,474,057	-	1,509,883	40,983,940
Hosp. & Community Rehab. Services	45,746,423			
Salary and Fringe - Retirement/Medical Ben.			(193,954)	
Medical and Retiree Health Adjustment			201,946	
Classified Non-Union COLA/ Medical			21,238	
Purch. Medical & Other Personnel Ser.			3,160	
Medical, Laboratory and Surgical Supplies			148,753	
Zambarano Building Repairs			(52,110)	
Grants - Retiree Pensions			(59,382)	
Insurance			71,517	
Operating			(10,261)	
	45,746,423	-	130,907	45,877,330
Substance Abuse	14,566,654			
Salary and Fringe			3,016	
Medical and Retiree Health Adjustment			9,535	
Classified Non-Union COLA/ Medical			6,626	
Medicaid Utilization			80,219	
Insurance			6,115	
Restore Program Reduction - Detoxification Svs.			171,600	
	14,566,654	-	277,111	14,843,765
Total	226,303,781	17,108	7,230,550	233,551,439
Office of the Child Advocate	501,168			
Personnel turnover			(93,417)	
State Medicaid match reduction			(21,645)	
Operating			7,010	
Statewide Medical & Retiree Health Changes			1,844	
Total	501,168	-	(106,208)	394,960
Commission on Deaf and Hard of Hearing	272,198			
Personnel & Benefits/Operating			5,115	
Medical & Retiree Health Adjustments			1,442	
Emergency Interpreter Referral Service			3,000	
Operating - New copy machine			5,900	
Interpreter Referral Service			(19,515)	
Assisted Listening & CART Services			12,000	
Leveraged Purchased Savings			(600)	
Total	272,198	-	7,342	279,540
Governor's Commission on Disabilities	533,865			
Personnel			(44,799)	
Grants			10,000	

Changes to FY 2005 Enacted Agency General Revenue Expenditures

	FY2005 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2005 Projected Expenditures
Operating			6,736	
Medical and Retiree Health Adjustment			2,681	
Total	533,865	-	(25,382)	508,483
Commission for Human Rights	984,444			
Payroll - Current Service			(50,571)	
Medical and Retiree Health Adjustment			4,855	
Contract Services			11,000	
Other Operating			39,571	
Total	984,444	-	4,855	989,299
Office of the Mental Health Advocate	331,668			
Step and Longevity Adjustmetns			2,017	
Medical and Retiree Health Adjustment			1,511	
Purchased Bldg./Grounds Services			(39)	
Total	331,668	-	3,489	335,157
Sub-Total Human Services	1,140,128,003	67,108	26,465,991	1,166,661,102
<u>Education</u>				
Elementary and Secondary Education				
State Education Aid	624,404,475			
Charter School Adjustment			(3,726)	
School Breakfast Savings			(57,140)	
Textbook Costs			200,000	
Telecommunication Access Fund			802,965	
	624,404,475	-	942,099	625,346,574
School Housing Aid	43,855,701			
Housing Aid Adjustment			(1,675,856)	
	43,855,701	-	(1,675,856)	42,179,845
Teacher's Retirement	52,583,171			
Payroll Base change			(1,815,679)	
Teacher Retirement Alternative			(2,264,367)	
	52,583,171	-	(4,080,046)	48,503,125
RI School for the Deaf	5,699,792			
Personnel Costs			(23,036)	
Contract Service Costs			(22,650)	
Fuel Costs			36,298	
Fiscal Fitness Savings, Operating Costs			(2,387)	
Other Operating Costs			36,661	
Medical and Retiree Health Adjustment			29,364	
	5,699,792	-	54,250	5,754,042

Changes to FY 2005 Enacted Agency General Revenue Expenditures

	FY2005 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2005 Projected Expenditures
Central Falls School District	35,991,685	-	2,010,028	
	35,991,685	-	2,010,028	38,001,713
Davies Career & Technical School	12,527,365			
Personnel Costs			(233,365)	
Fuel Costs			34,469	
Fiscal Fitness Savings, Operating Costs			(22,028)	
Other Operating Costs			67,529	
Medical and Retiree Health Adjustment			53,789	
	12,527,365	-	(99,606)	12,427,759
Met. Career & Tech. School	7,261,970			
	7,261,970	-	-	7,261,970
Administration of the Comp. Education Strategy	15,311,591			
Reappropriation-I Plan		127,253		
Surrogate Parent program			21,645	
Perkins Tuition			361,566	
Insurance Costs-Career and Technical Schools			38,000	
Career and Technical Repair costs to Bond Fund			(125,000)	
Indirect and Fiscal Fitness Savings			(88,932)	
Assessment Savings			(500,784)	
Medical and Retiree Health Adjustment			35,322	
	15,311,591	127,253	(258,183)	15,180,661
Total	797,635,750	127,253	(3,107,314)	794,655,689
Higher Education				
Board of Governors/Office of Higher Education	5,854,845			
Utility Inflator			17,000	
Procurement initiative			(2,568)	
Classified Non-Union COLA/ Medical			18,405	
Statewide Medical Changes			6,720	
	5,854,845		39,557	5,894,402
University of Rhode Island	81,600,378			
Utility inflator			173,000	
Procurement initiative			(142,415)	
Classified Non-Union COLA/ Medical			54,574	
Statewide Medical Changes			180,914	
	81,600,378		266,073	81,866,451
Rhode Island College	43,633,200			
Utility inflator			152,000	
Procurement initiative			(103,547)	
Classified Non-Union COLA/ Medical			102,811	
Statewide Medical Changes			128,074	

Changes to FY 2005 Enacted Agency General Revenue Expenditures

	FY2005 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2005 Projected Expenditures
	43,633,200		279,338	43,912,538
Community College of Rhode Island	43,167,133			
Utility inflator			191,000	
Procurement initiative			(276,780)	
Classified Non-Union COLA/ Medical			78,590	
Statewide Medical Changes			127,281	
	43,167,133		120,091	43,287,224
Total	174,255,556	-	705,059	174,960,615
RI Council On The Arts	2,442,064			
Medical & Retiree Health Adjustments			1,901	
Total	2,442,064	-	1,901	2,443,965
RI Atomic Energy Commission	727,045	-		
Atomic Energy Commission				
Personnel			(18,921)	
Operating			2,759	
Classified Non-Union COLA/ Medical			5,304	
Statewide Medical & Retiree Health Changes			2,957	
Total	727,045	-	(7,901)	719,144
RI Higher Education Assistance Authority				
Personnel Adjustments			(27,883)	
Needs Based Grants and Work Opportunities	8,922,769			
Authority Operations and Other Grants	1,032,820			
Operating			18,802	
New England Higher Ed. Compact			5,572	
Classified Non-Union COLA/ Medical			3,509	
Statewide Medical & Retiree Health Changes			2,395	
Total	9,955,589	-	2,395	9,957,984
RI Historical Preservation & Heritage Commission	1,192,997			
Personnel			429	
Medical & Retiree Health Adjustments			7,832	
Classified Non-Union COLA/ Medical			4,184	
Operating Adjustments			(6,482)	
Leveraged Purchasing Savings			(4,322)	
Eisenhower House Operating		28,000	(3,809)	
Total	1,192,997	28,000	(2,168)	1,218,829
RI Public Telecommunications Authority	1,238,482			
Salary & Fringe Benefits Savings			(69,975)	
Operating			(29,327)	

Changes to FY 2005 Enacted Agency General Revenue Expenditures

	FY2005 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2005 Projected Expenditures
Medical & Retiree Health Adjustments			4,072	
Total	1,238,482	-	(95,230)	1,143,252
Sub-Total Education	987,447,483	155,253	(2,503,258)	985,099,478
<u>Public Safety</u>				
Attorney General				
Criminal	11,306,968			
Reappropriation		17,000		
Personnel			(230,577)	
Purchased Services			43,686	
Operating			(126,437)	
Medical and Retiree Health Adjustment			49,746	
	11,306,968	17,000	(263,582)	11,060,386
Civil	3,455,162			
Racial Profiling				
Civil Reappropriation		32,472		
Personnel			(110,266)	
Purchased Services			59,943	
Operating			10,266	
Medical and Retiree Health Adjustment			14,629	
	3,455,162	32,472	(25,428)	3,462,206
Bureau of Criminal Identification	815,196			
Personnel			(9,203)	
Operating			5,712	
Medical and Retiree Health Adjustment			3,852	
	815,196	-	361	815,557
General	1,716,836			
Personnel			188,266	
Operating			1,811	
New Telephone System			30,000	
Medical and Retiree Health			8,635	
	1,716,836	-	228,712	1,945,548
Total	17,294,162	49,472	(59,937)	17,283,697
Corrections				
Central Management	9,933,312			
Reappropriation		76,152		
Other Payroll			166,602	
Medical & Retiree Health Adjustments			34,205	
Classified Non-union COLA/ Medical			39,088	

Changes to FY 2005 Enacted Agency General Revenue Expenditures

	FY2005 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2005 Projected Expenditures
IT FTE Transfer (12.0) to BOC 438			(1,070,773)	
IT FTE Transfer (12.0) from Payroll BOC's			1,070,773	
In-Service Contracts			66,876	
Overtime/Turnover/Stipends Adjustments			(364,136)	
Recruitment Class Costs			696,385	
Purchased Services			(83,069)	
Other Operating			33,347	
Leveraged Purchasing Savings			(17,921)	
Insurance			56	
	9,933,312	76,152	571,433	10,580,897
Parole Board	1,062,505			
Reappropriation		126		
Overtime/Turnover Adjustments			(45,974)	
Medical & Retiree Health Adjustments			5,011	
Operating			(1,126)	
Insurance			61	
Sex Offender Community Notification			31,600	
	1,062,505	126	(10,428)	1,052,203
Institutional Corrections	124,257,412			
Reappropriation		562,238		
Other Payroll			666,894	
Medical & Retiree Health Adjustments			550,367	
Classified Non-union COLA/ Medical			43,723	
Overtime/Turnover/Stipends Adjustments			370,805	
Unbudgeted CO Payroll (net of recruitment class savings)			1,260,759	
Recruitment Class Costs			224,363	
SCAAP Offset			(126,556)	
Federal Detainee Revenue			(79,864)	
Reintegration Center			(132,292)	
Psychiatrist			75,700	
Personnel Settlement Award			285,984	
Population-Related Overtime Reduction			(867,610)	
Other Purchased Services			(1,571,981)	
Residential Substance Abuse Treatment Prg.			48,488	
Fellowship Health Services			20,000	
Medical Purchased Services			1,453,688	
Medical Supplies and Pharmaceutical Costs			(916,108)	
Maintenance Garage			10,000	
Other Operating			(623,166)	
Capital Repairs-Moran Chiller Line			5,000	
Leveraged Purchasing Savings			(45,645)	
Insurance			13,439	
Population-Related Operating			(638,020)	
Vehicle Masterlease Costs			134,582	
Grants-Amer-I-Can Transfer from Community Corrections			80,000	

Changes to FY 2005 Enacted Agency General Revenue Expenditures

	FY2005 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2005 Projected Expenditures
Inmate Payroll	124,257,412	562,238	(16,569) 225,981	125,045,631
Community Corrections	12,196,921			
Other Payroll		-	(27,269)	
Medical & Retiree Health Adjustments			53,291	
Classified Non-union COLA/ Medical			7,371	
Overtime/Turnover/Stipends Adjustments			(715,956)	
Recruitment Class Costs			41,106	
Other Purchased Services			(14,956)	
Women's Transition Housing			(28,830)	
Other Operating			(18,663)	
Leveraged Purchasing Savings			(21,784)	
Equipment Rental			21,684	
Property Rental			14,400	
Insurance			496	
Grants-Amer-I-Can Transfer to Insitutional Corrections			(80,000)	
Amer-I-Can Contract Reduction			(10,000)	
Inmate Payroll			9,224	
	12,196,921	-	(769,886)	11,427,035
Total	147,450,150	638,516	17,100	148,105,766
Judiciary				
Supreme Court	22,657,579			
Increase Defense of Indigents Fee Schedule	2,250,000	522,807	-	
Increase Computer Technology Expenditures			796,973	
Increase Operating			105,927	
Reduce Purchased Services			(30,755)	
Shift Payroll From other Courts			254,839	
Reallocate Judicial Pensions Savings to other Programs			(235,915)	
Shift Interpreter Services Funding to other Progs			(95,574)	
Increase Exp for Utilities/Shift Costs to Restricted			64,408	
Shift Expend. for Bldg. Repairs/Maint. To Restricted			(88,705)	
Increase Insurance Expenditures			22,982	
Shift HVAC Funding from DOA to Judiciary			138,008	
Fiscal Fitness Leveraged Purchasing Savings			(193,991)	
Medical & Retiree Health Adjustments			69,883	
	24,907,579	522,807	808,080	26,238,466
Superior Court	17,613,081			
Reallocate Judicial Pensions Savings to other Programs			(7,222)	
Reduce Purchased Seives			(1,000)	
Reduce Operating			(94,064)	
Increase Insurance Expenditures			15,684	
Medical & Retiree Health Adjustments			72,512	
	17,613,081	-	(14,090)	17,598,991

Changes to FY 2005 Enacted Agency General Revenue Expenditures

	FY2005 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2005 Projected Expenditures
Family Court	13,889,510			
Reduce Payroll			(237,667)	
Reduce Purchased Services			(179,968)	
Reduce Operating			(55,917)	
Reallocate Judicial Pensions Savings to other Programs			(50,397)	
Classified Non-Union Cola/ Medical			777	
Increase Insurance Expenditures			25,801	
Shift Payroll to Indirect Cost Recovery			(140,000)	
Medical & Retiree Health Adjustments			63,004	
	13,889,510	-	(574,367)	13,315,143
District Court	8,669,882			
Reduce Payroll			(246,952)	
Reduce Purchased Services			(7,000)	
Increase Operating			7,897	
Increase Insurance Expenditures			5,375	
Reallocate Judicial Pensions Savings to other Programs			(77,947)	
Medical & Retiree Health Adjustments			38,270	
	8,669,882	-	(280,357)	8,389,525
Traffic Tribunal	6,586,787			
Reduce Payroll			(131,744)	
Reduce Accounts Receivable			131,744	
Reduce Purchased Services			(500)	
Increase Operating			36,157	
Increase Judicial Pensions			943	
Increase Insurance Expenditures			6,628	
Fiscal Fitness Leveraged Purchasing Savings			(12,017)	
Medical & Retiree Health Adjustments			29,523	
	6,586,787		60,734	6,647,521
Total	71,666,839	522,807	-	72,189,646
Military Staff				
National Guard	1,631,741			
Cost Reallocation to EMA Federal Funds			(46,627)	
Firefighters' Overtime			(9,000)	
Medical & Retiree Health Adjustments			4,216	
Tall Ships security detail			69,736	
Tall Ships Operating			365	
Insurance			(7,025)	
New Building Utilities Costs			37,500	
	1,631,741	-	49,165	1,680,906
Emergency Management	544,157			
Payroll			2,367	

Changes to FY 2005 Enacted Agency General Revenue Expenditures

	FY2005 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2005 Projected Expenditures
Medical & Retiree Health Adjustments			3,504	
Tall Ships security detail			24,421	
Operating/Grants			4,439	
Leveraged Purchasing Savings			(14,120)	
Tall Ships Operating			15,379	
Non-Union COLA			3,279	
Non-Union Health Insurance			(1,726)	
	544,157	-	37,543	581,700
Total	2,175,898	-	86,708	2,262,606
E-911 Emergency Telephone System				
E-911 Emergency Telephone System	3,821,407			
Holiday Pay			(10,382)	
Purchased Services			(8,675)	
Payroll			42,096	
Operating			(23,039)	
Medical & Retiree Health Adjustments			19,761	
Total	3,821,407	-	19,761	3,841,168
Fire Safety Code Commission				
Fire Code Commission	241,338			
Personnel Adjustments			(6,320)	
Operating			280	
Property rental			7,500	
Statewide Medical & Retiree Health Changes			831	
Total	241,338	-	2,291	243,629
State Fire Marshal				
State Fire Marshal	1,977,834			
Tall Ships security detail			7,680	
Personnel turnover/adjustments			(134,554)	
Operating			2,245	
Telephone system			12,000	
Used vehicle purchase			25,000	
Public fire safety presentations			14,419	
Classified non-union COLA/ Medical			449	
Statewide Medical & Retiree Health Changes			7,692	
Total	1,977,834	-	(65,069)	1,912,765
Commission on Judicial Tenure and Discipline	102,842			
Legal Services			21,938	
Medical & Retiree Health Adjustments			474	
Total	102,842	-	22,412	125,254

Changes to FY 2005 Enacted Agency General Revenue Expenditures

	FY2005 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2005 Projected Expenditures
Rhode Island Justice Commission				
Rhode Island Justice Commission	248,367			
Medical and Retiree Health Adjustment			595	
Racial Profiling - Data Collection and Reporting			5,000	
Total	248,367	-	5,595	253,962
Municipal Police Training Academy	361,327			
Personnel Adjustments			862	
Medical & Retiree Health Adjustments			1,694	
Increase Overtime			3,000	
Operating Adjustments			4,138	
Leveraged Purchasing Savings			(1,646)	
Reduce Lecturer/Education/Professional Svcs.			(8,000)	
Total	361,327	-	48	361,375
State Police				
State Police	43,012,525			
Reappropriation		101,106		
Personnel Reduction			(711,383)	
Tall Ships security detail			41,597	
Contract Services Increase			(29,110)	
Auto Maintenance			26,542	
Operating			92,556	
CDPD Change Costs			30,600	
Pay-as-you-go Pension Costs			144,855	
Vehicle Purchase-Master Lease			(322,150)	
Medical & Retiree Health Adjustments			90,448	
Total	43,012,525	101,106	(636,045)	42,477,586
Office Of Public Defender				
Public Defenders Office	6,852,438			
Unpaid FY 2004 Obligations		23,429		
Medical & Retiree Health Adjustments			32,957	
Rent Increase			16,800	
Insurance			1,688	
Vacancy Adjustment			(10,000)	
Leveraged Purchasing Savings			(2,158)	
Total	6,852,438	23,429	39,287	6,915,154
Sub-Total Public Safety	295,205,127	1,335,330	(567,849)	295,972,608
<u>Natural Resources</u>				
Environmental Management				
Policy and Administration	8,314,846			
Personnel Adjustments		-	31,149	

Changes to FY 2005 Enacted Agency General Revenue Expenditures

	FY2005 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2005 Projected Expenditures
Medical & Retiree Health Adjustments			23,194	
Classified Non-Union COLA			44,331	
Classified Non-Union Medical Adjustment			(17,911)	
Foundry Lease Requirments			43,914	
Vehicle Lease Requirements			(12,688)	
Leveraged Purchase Savings			(29,830)	
Governor's Coordination Teams-Bays, Rivers, Watersheds			90,388	
Property Insurance			1,765	
	8,314,846	-	174,312	8,489,158
Natural Resources	15,417,355			
			-	
Vacancy Savings			(81,453)	
Medical & Retiree Health Adjustments			55,066	
Classified Non-Union COLA			36,128	
Classified Non-Union Medical Adjustment			(14,665)	
Tall Ships security detail			29,400	
Host Beach Community Revenue Share			(102,000)	
Coastal - Personnel Adj, Retirement of Chief			(48,000)	
Parks - Buildings & Grounds			63,894	
Parks - Personnel Adjustments			(29,703)	
Vehicle Lease Requirements			59,810	
Leveraged Purchase Savings			(38,491)	
Property Insurance			65,560	
Enforcement - Relocate to Foundry Building			50,000	
Lead paint Inspections - Dept. Lease Buildings			6,500	
All Other			19,585	
	15,417,355	-	71,631	15,488,986
Environmental Protection	9,012,828			
			-	
Personnel Adjustments			7,691	
Medical & Retiree Health Adjustments			49,004	
Classified Non-Union COLA			38,153	
Classified Non-Union Medical Adjustment			(11,762)	
Compliance & Inspection Vacancy Savings			(107,700)	
Leveraged Purchase Savings			(3,063)	
Bay Street - Tiverton - Contamination Clean-up			50,000	
Property Insurance			1,412	
Vehicle Lease Requirements			(8,075)	
	9,012,828	-	15,660	9,028,488
Total	32,745,029	-	261,603	33,006,632
Coastal Resources Management Council	1,460,351			
Palazzolo Case Legal Costs			8,511	
Payroll Adjustments			(11,847)	

Changes to FY 2005 Enacted Agency General Revenue Expenditures

	FY2005 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2005 Projected Expenditures
Medical Benefits Adjustments			(4,373)	
Medical & Retiree Health Adjustments			7,112	
Classified Non-Union COLA/ Medical			733	
Purchased Services Adjustments			6,476	
Other Operating Adjustments			500	
Total	1,460,351	-	7,112	1,467,463
State Water Resources Board	1,229,023			
Salary & Benefits - Vacancy Savings			(35,946)	
Medical & Retiree Health Adjustments			3,769	
Classified Non-Union COLA/ Medical			3,315	
Lead Paint Inspection/Assessments			12,000	
Operating			14,910	
Total	1,229,023	-	(1,952)	1,227,071
Sub-Total Environment	35,434,403	-	266,763	35,701,166
Statewide General Revenue Total	2,937,776,732	10,145,888	15,547,547	2,963,470,167

Changes to FY 2005 Enacted Transportation Expenditures

	FY2005 Enacted Appropriation	Carry Over From FY2004 Appropriations*	Supplemental Changes	FY2005 Revised
Transportation ISTEA Fund Changes**				
Central Management	3,545,484			
Payroll			(24,313)	
Purchased Services				
Operating			(14,118)	
Capital Improvements			(6,000)	
	3,545,484	-	(44,431)	3,501,053
Management & Budget	1,945,792			
Payroll			96,428	
Operating			(72,322)	
Capital Improvements			(2,201)	
	1,945,792	-	21,905	1,967,697
Infrastructure-Maintenance	39,532,934			
Payroll			263,365	
Purchased Services			111,500	
Operating			1,480,912	
	39,532,934	-	1,855,777	41,388,711
Infrastructure-Engineering	49,630,584			
Payroll			(1,597)	
Operating			(42,952)	
Motor Fuel Bonds			(40,000)	
RIPTA Debt Service Savings			14,986	
Capital Improvements			(1,123,106)	
	49,630,584	-	(1,192,669)	48,437,915
Total Transportation	94,654,794	-	640,582	95,295,376
Gas tax budgeted outside DOT	-			
DOT Debt service	34,569,648		(600,569) *	33,969,079
RIPTA Debt Service	623,059		(40,014)	583,045
Gas tax budgeted in DOA-planning	35,192,707	-	(640,583)	34,552,124
DEA- Elderly Transportation	4,780,000		20,000	4,800,000
Total Gas Tax for Transportation	134,627,501	-	19,999	134,647,500

* Available resources from FY2004 estimated to be \$3.1 million are allocated to FY 2006 in order for the Department to meet spending increases.

** Changes are reflective of gas tax funding only.

Appendix C

Aid to Cities and Towns

Formula Aid to Cities and Towns

The Governor's FY 2006 budget recommends formula aid to cities and towns totaling \$234.0 million. This represents a 1.2 percent, or \$2.4 million, increase from the FY 2006 revised level of funding. The tables on the following pages display FY 2005 and FY 2006 recommended levels of funding for formula aid to cities and towns by community. The narrative below describes each of the programs included on the tables.

General Revenue Sharing - Beginning in FY 1994, one percent of total state tax revenues from the second prior fiscal year was earmarked for general state aid to cities and towns. Beginning in FY 1999, this percentage was to increase annually until reaching 4.7 percent by FY 2009. These funds are distributed based on a legislated formula encompassing per-capita income and the taxes imposed by each city or town for public purposes, excluding amounts allocated to education expenses. The Governor proposes that funding for this program in FY 2005 be set at \$53.4 million, one million higher than FY 2004 and to fix future distributions at three percent (3.0%) of tax revenues in FY 2007 and thereafter.

Payment in Lieu of Taxes - Legislation creating this program requires the State of Rhode Island to reimburse cities and towns for property taxes that would have been due on certain types of real property that are exempted from taxation by state law. This includes property owned by nonprofit educational institutions, nonprofit hospitals, or any state owned hospital, veteran's facility, or correctional facility. Reimbursement is made for twenty-seven percent of all tax that would have been collected had the property been taxable, prorated to the amount appropriated for a given year.

Distressed Communities Relief Fund - This program provides state assistance to those Rhode Island communities with the highest property tax burdens relative to the wealth of taxpayers. The Governor proposes to set the amount of funding distributed under this program to the amount enacted in the annual appropriations act, as opposed to the amounts collected from the Real Estate Conveyance Tax and a share of Video Lottery Terminal revenue.

State Library Aid - This program provides financial support for local public library services and for the construction and capital improvement of any free public library. A portion of library aid is disbursed directly to local libraries, including private libraries, while other aid is disbursed to the individual cities and towns.

Motor Vehicle Excise Tax - Legislation enacted during the 1999 General Assembly provides for a phase-out of the local excise tax on motor vehicles and trailers. This legislation was amended in 2002 to make the full phase out of the tax subject to the annual review and appropriation of the General Assembly and further amended in 2004 by providing for state reimbursement of lost excise tax revenues to cities and towns based upon the *prior* local fiscal year. The change in reimbursement from a concurrent to a prior local fiscal year basis begin in state fiscal 2005.

Public Service Corporation Tax - The tangible personal property of telegraph, cable and telecommunications corporations is exempt from local taxation, but is subject to taxation by the state. Funds collected from this tax are distributed to cities and towns within the state on the basis of the ratio of the city or town population to the population of the state as a whole.

Meals and Beverage Local Sales and Use Tax - During the January 2003 session, the General Assembly enacted a one percent gross receipts tax on retail sales of meals and beverages in or from eating and/or drinking establishments. The taxes are collected by the Division of Taxation and distributed at least quarterly to the city or town where the meals and beverages were delivered.

Fiscal Year 2005 State Aid to Cities and Towns

City or Town	General Revenue Sharing	Payment In Lieu of Tax Exempt Property	Distressed Community Relief Fund	State Library Aid	Motor Vehicle Excise Tax Reimbursement Value of Exemption	FY 2005 Total Appropriated State Aid
Barrington	234,285	47,886	-	295,313	2,197,524	2,775,008
Bristol	825,753	420,601	-	69,440	1,118,422	2,434,216
Burrillville	606,174	78,522	-	65,836	2,053,956	2,804,487
Central Falls	1,372,871	20,106	201,028	62,193	1,208,411	2,864,609
Charlestown	372,229	-	-	42,213	374,379	788,821
Coventry	917,864	-	-	147,975	2,147,241	3,213,080
Cranston	3,199,670	3,371,038	-	488,229	9,485,112	16,544,048
Cumberland	1,168,720	81	-	212,069	2,048,308	3,429,178
East Greenwich	189,331	7,242	-	85,191	1,041,805	1,323,569
East Providence	2,276,071	64,838	-	460,448	4,994,050	7,795,407
Exeter	85,686	-	-	8,495	718,053	812,235
Foster	252,920	255	-	34,756	578,603	866,534
Glocester	476,816	-	-	58,732	868,250	1,403,798
Hopkinton	184,276	-	-	39,184	597,217	820,676
Jamestown	162,060	5	-	62,279	317,721	542,066
Johnston	2,045,018	-	-	121,700	4,114,297	6,281,015
Lincoln	811,406	-	-	158,808	2,195,453	3,165,667
Little Compton	89,057	-	-	23,524	214,723	327,303
Middletown	842,795	-	-	129,464	881,663	1,853,922
Narragansett	703,202	-	-	99,601	957,099	1,759,902
Newport	1,728,739	511,083	-	325,323	1,455,950	4,021,095
New Shoreham	73,257	-	-	76,634	65,343	215,234
North Kingstown	806,625	8,301	-	224,789	2,179,062	3,218,776
North Providence	1,949,426	395,607	-	162,852	3,941,255	6,449,140
North Smithfield	698,892	44,215	-	51,913	1,501,993	2,297,012
Pawtucket	4,579,132	278,920	1,443,172	342,428	8,006,234	14,649,886
Portsmouth	547,679	10,147	-	102,070	1,180,727	1,840,623
Providence	12,592,728	15,573,005	5,322,212	1,383,493	18,908,768	53,780,205
Richmond	145,825	433	-	22,069	578,451	746,778
Scituate	372,523	-	-	79,690	1,155,251	1,607,464
Smithfield	1,346,867	544,555	-	212,038	2,641,772	4,745,233
South Kingstown	820,517	125,597	-	175,691	1,578,608	2,700,413
Tiverton	471,479	-	-	68,270	1,022,440	1,562,189
Warren	385,456	-	-	40,858	854,507	1,280,821
Warwick	4,050,212	855,013	-	590,589	10,654,567	16,150,381
Westerly	576,458	182,085	-	248,761	2,238,068	3,245,372
West Greenwich	161,935	-	-	20,301	395,962	578,198
West Warwick	1,278,641	-	812,031	178,696	2,432,650	4,702,019
Woonsocket	3,035,938	176,582	754,890	198,538	4,207,412	8,373,360
Subtotal	52,438,532	22,716,117	8,533,333	7,170,456	103,111,305	193,969,741
Statewide Reference Library Resource Grant (Providence)				880,110		880,110
Library Construction Reimbursement				2,541,485		2,541,485
Motor Vehicle Excise Tax Reimbursement - Fire Districts					1,875,837	1,875,837
Total	52,438,532	22,716,117	8,533,333	10,592,051	104,987,142	199,267,173

Fiscal Year 2006 State Aid to Cities and Towns

City or Town	General Revenue Sharing	Payment In Lieu of Tax Exempt Property	Distressed Community Relief Fund	State Library Aid	Motor Vehicle Excise Tax Reimbursement Value of Exemption	FY 2006 Total Appropriated State Aid
Barrington	212,680	43,693	-	306,140	2,237,759	2,800,272
Bristol	851,909	456,055	-	65,294	1,099,681	2,472,939
Burrillville	666,791	64,004	-	74,370	2,123,370	2,928,535
Central Falls	1,399,052	18,062	202,110	63,103	1,230,323	2,912,650
Charlestown	339,803	-	-	44,392	383,401	767,596
Coventry	745,126	-	-	153,472	2,218,415	3,117,013
Cranston	3,519,637	3,023,460	-	528,702	9,600,282	16,672,081
Cumberland	1,155,192	74	-	227,806	2,087,078	3,470,150
East Greenwich	176,664	6,545	-	96,606	1,065,212	1,345,027
East Providence	2,449,124	48,813	-	462,377	4,981,418	7,941,732
Exeter	94,255	-	-	8,495	736,067	838,817
Foster	245,891	218	-	32,927	612,035	891,071
Glocester	514,545	-	-	61,275	891,714	1,467,534
Hopkinton	178,604	-	-	36,259	621,203	836,066
Jamestown	131,906	8	-	66,151	329,595	527,660
Johnston	2,084,017	-	-	113,932	3,995,740	6,193,689
Lincoln	666,680	-	-	178,322	2,254,182	3,099,184
Little Compton	89,005	-	-	24,385	224,427	337,817
Middletown	842,442	-	-	142,579	906,188	1,891,209
Narragansett	708,272	-	-	105,684	966,226	1,780,182
Newport	1,605,723	532,363	-	338,300	1,479,322	3,955,708
New Shoreham	74,654	-	-	81,499	66,320	222,473
North Kingstown	832,748	5,584	-	231,438	2,174,340	3,244,110
North Providence	2,094,537	373,315	-	166,022	3,920,229	6,554,103
North Smithfield	575,777	31,488	-	60,484	1,515,643	2,183,392
Pawtucket	4,912,276	264,562	1,439,761	370,173	8,018,285	15,005,057
Portsmouth	557,699	-	-	105,447	1,199,362	1,862,508
Providence	12,832,871	16,513,285	5,312,181	1,321,747	18,184,978	54,165,062
Richmond	140,375	394	-	22,998	598,108	761,875
Scituate	394,839	-	-	85,358	1,202,382	1,682,579
Smithfield	1,481,554	349,678	-	229,928	2,724,897	4,786,057
South Kingstown	855,396	93,794	-	186,603	1,609,271	2,745,064
Tiverton	495,447	-	-	83,613	1,064,715	1,643,775
Warren	395,437	-	-	40,908	867,599	1,303,944
Warwick	4,024,107	638,716	-	620,165	10,543,024	15,826,012
Westerly	518,845	105,891	-	286,605	2,292,757	3,204,098
West Greenwich	153,834	-	-	20,216	416,187	590,237
West Warwick	1,225,944	-	833,664	189,057	2,448,054	4,696,719
Woonsocket	3,194,876	146,114	745,617	210,568	4,234,470	8,531,645
Subtotal	53,438,532	22,716,117	8,533,333	7,443,400	103,124,259	195,255,642
Statewide Reference Library Resource Grant (Providence)				924,116		924,116
Library Construction Reimbursement				2,651,643		2,651,643
Motor Vehicle Excise Tax Reimbursement - Fire Districts					1,875,837	1,875,837
Total	53,438,532	22,716,117	8,533,333	11,019,159	105,000,096	200,707,238

Fiscal Year 2006 Pass Through Aid to Cities & Towns

City or Town	Public Service Corporation Tax	Meals and Beverage Tax	FY 2006 Total Shared Taxes State Aid	FY 2006 Total Shared & Appropriated Aid
Barrington	234,428	89,415	323,843	3,124,115
Bristol	313,179	231,297	544,476	3,017,415
Burrillville	220,169	133,268	353,437	3,281,972
Central Falls	263,824	106,206	370,030	3,282,680
Charlestown	109,541	95,559	205,100	972,696
Coventry	469,274	280,678	749,952	3,866,965
Cranston	1,104,873	1,179,247	2,284,120	18,956,201
Cumberland	443,795	294,022	737,817	4,207,967
East Greenwich	180,473	320,015	500,488	1,845,515
East Providence	678,627	724,029	1,402,656	9,344,388
Exeter	84,257	40,931	125,188	964,005
Foster	59,572	19,012	78,584	969,655
Glocester	138,658	49,071	187,729	1,655,263
Hopkinton	109,220	24,728	133,948	970,014
Jamestown	78,361	100,753	179,114	706,774
Johnston	392,990	374,185	767,175	6,960,864
Lincoln	291,282	382,005	673,287	3,772,471
Little Compton	50,080	23,382	73,462	411,279
Middletown	241,606	456,547	698,153	2,589,363
Narragansett	228,044	326,052	554,096	2,334,278
Newport	369,016	1,242,047	1,611,063	5,566,770
New Shoreham	14,078	131,980	146,058	368,530
North Kingstown	366,939	308,536	675,475	3,919,585
North Providence	451,753	370,898	822,651	7,376,754
North Smithfield	147,997	156,849	304,846	2,488,238
Pawtucket	1,016,908	581,695	1,598,603	16,603,660
Portsmouth	239,027	146,611	385,638	2,248,146
Providence	2,419,935	3,493,364	5,913,299	60,078,360
Richmond	100,662	105,032	205,694	967,569
Scituate	143,899	33,960	177,859	1,860,438
Smithfield	287,310	431,349	718,659	5,504,716
South Kingstown	389,170	406,705	795,875	3,540,939
Tiverton	212,698	87,666	300,364	1,944,140
Warren	158,339	222,784	381,123	1,685,067
Warwick	1,196,015	2,144,402	3,340,417	19,166,429
Westerly	320,106	528,882	848,988	4,053,086
West Greenwich	70,876	70,096	140,972	731,208
West Warwick	412,308	358,493	770,801	5,467,520
Woonsocket	602,468	486,931	1,089,399	9,621,044
Subtotal	14,611,755	16,558,678	31,170,435	226,426,077
Statewide Reference Library Resource Grant (Providence)				924,116
Library Construction Reimbursement				2,651,643
Motor Vehicle Excise Tax Reimbursement - Fire Districts				1,875,837
Total				231,877,673

Changes in Formula Aid - FY 2006 vs. FY 2005

City or Town	General Revenue Sharing	Payment In Lieu of Tax Exempt Property	Distressed Community Relief Fund	State Library Aid	Motor Vehicle Excise Tax Reimbursement	Total Appropriated Difference
Barrington	(21,605)	(4,193)	-	10,827	40,235	25,264
Bristol	26,156	35,454	-	(4,146)	(18,741)	38,723
Burrillville	60,617	(14,518)	-	8,534	69,414	124,048
Central Falls	26,181	(2,044)	1,082	910	21,912	48,041
Charlestown	(32,426)	-	-	2,179	9,022	(21,225)
Coventry	(172,738)	-	-	5,497	71,174	(96,067)
Cranston	319,967	(347,578)	-	40,473	115,170	128,033
Cumberland	(13,528)	(7)	-	15,737	38,770	40,972
East Greenwich	(12,667)	(697)	-	11,415	23,407	21,458
East Providence	173,053	(16,025)	-	1,929	(12,632)	146,325
Exeter	8,569	-	-	-	18,014	26,582
Foster	(7,029)	(37)	-	(1,829)	33,432	24,537
Glocester	37,729	-	-	2,543	23,464	63,736
Hopkinton	(5,672)	-	-	(2,925)	23,986	15,390
Jamestown	(30,154)	3	-	3,872	11,874	(14,406)
Johnston	38,998	-	-	(7,768)	(118,557)	(87,327)
Lincoln	(144,726)	-	-	19,514	58,729	(66,483)
Little Compton	(52)	-	-	861	9,704	10,514
Middletown	(353)	-	-	13,115	24,525	37,287
Narragansett	5,070	-	-	6,083	9,127	20,280
Newport	(123,016)	21,280	-	12,977	23,372	(65,387)
New Shoreham	1,397	-	-	4,865	977	7,239
North Kingstown	26,123	(2,717)	-	6,649	(4,722)	25,334
North Providence	145,111	(22,292)	-	3,170	(21,026)	104,963
North Smithfield	(123,115)	(12,727)	-	8,571	13,650	(113,620)
Pawtucket	333,144	(14,358)	(3,411)	27,745	12,051	355,171
Portsmouth	10,020	(10,147)	-	3,377	18,635	21,885
Providence	240,143	940,280	(10,031)	(61,746)	(723,790)	384,857
Richmond	(5,450)	(39)	-	929	19,657	15,097
Scituate	22,316	-	-	5,668	47,131	75,115
Smithfield	134,687	(194,877)	-	17,890	83,125	40,824
South Kingstown	34,879	(31,803)	-	10,912	30,663	44,651
Tiverton	23,969	-	-	15,343	42,275	81,586
Warren	9,981	-	-	50	13,092	23,123
Warwick	(26,104)	(216,297)	-	29,576	(111,543)	(324,369)
Westerly	(57,613)	(76,194)	-	37,844	54,689	(41,274)
West Greenwich	(8,101)	-	-	(85)	20,225	12,039
West Warwick	(52,697)	-	21,633	10,361	15,404	(5,300)
Woonsocket	158,938	(30,468)	(9,273)	12,030	27,058	158,285
Subtotal	1,000,000	-	-	272,946	12,954	1,285,902
Statewide Reference Library Resource Grant (Providence)				44,006	-	44,006
Library Construction Reimbursement				110,158	-	110,158
Motor Vehicle Excise Tax Reimbursement - Fire Districts				-	-	-
Total	-	-	-	427,110	12,954	1,440,066

Changes in Pass Through and All Aid - FY 2006 vs. FY 2005

City or Town	Public Service Corporation Tax	Meals and Beverage Tax	Total Pass Through State Aid Difference	Total All State Aid Difference
Barrington	-	4,014	4,014	29,278
Bristol	-	10,383	10,383	49,106
Burrillville	-	5,982	5,982	130,030
Central Falls	-	4,768	4,768	52,809
Charlestown	-	4,290	4,290	(16,935)
Coventry	-	12,600	12,600	(83,467)
Cranston	-	52,937	52,937	180,970
Cumberland	-	13,199	13,199	54,170
East Greenwich	-	14,366	14,366	35,824
East Providence	-	32,502	32,502	178,826
Exeter	-	1,837	1,837	28,420
Foster	-	853	853	25,391
Glocester	-	2,203	2,203	65,939
Hopkinton	-	1,110	1,110	16,500
Jamestown	-	4,523	4,523	(9,883)
Johnston	-	16,797	16,797	(70,530)
Lincoln	-	17,148	17,148	(49,335)
Little Compton	-	1,050	1,050	11,564
Middletown	-	20,494	20,494	57,782
Narragansett	-	14,637	14,637	34,916
Newport	-	55,756	55,756	(9,632)
New Shoreham	-	5,925	5,925	13,164
North Kingstown	-	13,850	13,850	39,184
North Providence	-	16,650	16,650	121,613
North Smithfield	-	7,041	7,041	(106,579)
Pawtucket	-	26,112	26,112	381,283
Portsmouth	-	6,581	6,581	28,466
Providence	-	156,818	156,818	541,674
Richmond	-	4,715	4,715	19,812
Scituate	-	1,524	1,524	76,639
Smithfield	-	19,363	19,363	60,187
South Kingstown	-	18,257	18,257	62,908
Tiverton	-	3,935	3,935	85,521
Warren	-	10,001	10,001	33,123
Warwick	-	96,263	96,263	(228,106)
Westerly	-	23,742	23,742	(17,532)
West Greenwich	-	3,147	3,147	15,186
West Warwick	-	16,093	16,093	10,793
Woonsocket	-	21,858	21,858	180,144
Subtotal	-	743,322	743,322	2,029,223
Statewide Reference Library Resource Grant (Providence)				44,006
Library Construction Reimbursement				110,158
Motor Vehicle Excise Tax Reimbursement - Fire Districts				-
Total				2,183,387

Appendix D

Aid to Schools

Education Aid to Local Units of Government

Education Aid to Local Governments totals \$816.6 million in FY 2006, a \$37.1 million increase in state support relative to the FY 2005 revised budget. Education Aid is defined to include local public schools, the School for the Deaf, Davies Career and Technical School, the Charter Schools, and the Metropolitan Career and Technical School, as well as support for teacher retirement and school construction. Distributed aid to school districts for FY 2006 is financed at \$685.1 million inclusive of changes in support of the Davies School, Metropolitan School and the Charter schools. This is \$18.0 million greater than revised FY 2005 aid levels.

Distributed education aid changes are as follows:

- Student Equity, \$10.0 million;
- Central Falls, \$3.2 million;
- Professional Development, \$2.5 million;
- Metropolitan School; \$1.6 million;
- Davies School, \$430,244;
- Charter Schools (Indirect), \$312,212;
- School for the Deaf, \$226,986;
- General Operations Aid, \$198,184;
- Full-Day Kindergarten, (\$528,000).

Increases are also recommended for non-distributed and other education aid. Additional financing is recommended for Teacher Retirement obligations totaling \$10.1 million, and increases in School Construction cost reimbursements of \$4.7 million are also supported. Direct aid supporting charter schools increases \$3.9 million over the FY 2005 revised level. Progressive Support and Intervention is recommended to increase by \$0.8 million, and textbook costs are expected to decline by approximately \$0.3 million.

The following table displays the FY 2005 and FY 2006 education aid budgets. Definitions for the columns in the Education Aid table are noted below.

FY 2005 and FY 2006 Total Education Aid: FY 2005 and FY 2006 Education Aid includes the following categories. For both years, allocations for Capital Construction Aid, state contributions to the Teacher Retirement Fund, funds for the Hasbro Children's Hospital, for Textbook expansion, for On-Site Visits, for Progressive Support and Intervention, for School Breakfast, for Telecommunications Access, and for the Professional Development funds held by the Department are included in combined totals and are not displayed by community.

Education Aid to Local Units of Government

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Local Education Authorities					
Barrington	\$ 2,294,840	\$ 2,352,211	\$ 2,393,375	\$ 2,398,581	\$ 2,479,907
Burrillville	12,458,207	12,851,288	13,076,186	13,076,186	13,126,186
Central Falls	33,271,624	34,445,541	35,670,888	38,078,671	41,319,965
Charlestown	1,776,443	1,820,855	1,852,720	1,852,720	1,910,676
Coventry	18,103,867	18,556,464	18,881,202	18,881,202	19,151,316
Cranston	31,098,284	31,875,741	32,907,994	33,029,208	33,942,639
Cumberland	11,816,925	12,112,348	12,594,809	12,594,809	12,646,981
East Greenwich	1,642,030	1,765,450	1,796,345	1,810,042	1,860,042
East Providence	23,830,537	24,579,320	25,009,458	25,064,677	25,530,776
Foster	1,257,914	1,289,362	1,311,926	1,311,926	1,351,283
Glocester	2,871,779	2,943,574	2,995,087	2,995,087	3,065,960
Hopkinton	5,659,889	5,801,386	5,902,911	5,902,911	5,954,153
Jamestown	453,231	478,137	486,504	492,652	507,431
Johnston	9,607,836	9,962,918	10,137,270	10,188,342	10,413,088
Lincoln	6,669,256	6,835,988	6,955,618	7,012,603	7,062,603
Little Compton	312,417	320,227	325,831	341,592	351,839
Middletown	9,194,316	9,699,260	9,916,122	9,916,122	10,013,586
Narragansett	1,616,920	1,657,343	1,709,968	1,725,404	1,809,860
Newport	10,065,853	10,870,512	11,060,746	11,060,746	11,253,278
New Shoreham	79,523	86,319	93,128	93,128	101,451
North Kingstown	10,851,375	11,122,659	11,317,305	11,384,463	11,434,463
North Providence	11,937,013	12,235,439	12,449,559	12,511,050	12,623,955
North Smithfield	4,258,219	4,462,302	4,540,392	4,541,694	4,611,787
Pawtucket	56,785,846	60,024,535	61,074,964	61,615,712	63,782,029
Portsmouth	5,535,991	5,711,351	5,811,300	5,854,978	5,962,443
Providence	165,275,305	174,934,587	181,224,584	181,224,596	185,048,912
Richmond	5,589,968	5,729,717	5,829,987	5,829,987	5,903,843
Scituate	3,068,641	3,145,357	3,200,400	3,200,400	3,250,400
Smithfield	4,986,915	5,215,581	5,306,854	5,332,948	5,407,726
South Kingstown	9,219,644	9,598,923	9,766,904	9,766,904	9,948,816
Tiverton	5,324,482	5,457,594	5,553,102	5,553,102	5,659,091
Warwick	33,502,797	34,340,367	34,941,323	35,195,465	35,894,621
Westerly	5,994,381	6,146,521	6,284,205	6,386,546	6,528,189
West Warwick	17,658,912	18,643,537	19,275,597	19,341,994	19,499,965
Woonsocket	41,551,539	43,059,505	43,813,046	43,913,617	45,364,499
Bristol/Warren	18,393,960	18,853,809	19,183,751	19,267,184	19,554,956
Exeter/W Greenwich	6,862,455	7,092,069	7,216,180	7,227,202	7,308,493
Chariho District	341,021	352,610	360,305	368,936	380,004
Foster/Glocester	5,173,788	5,303,133	5,395,937	5,395,937	5,466,199
Met School	2,155,000	3,982,350	5,750,000	7,261,970	8,814,530
Davies	9,841,782	10,342,824	11,016,908	12,427,759	12,858,003
School for the Deaf	5,800,837	5,234,183	6,051,608	5,754,042	5,981,028
LEA Subtotal	\$ 614,191,562	\$ 641,293,197	\$ 660,442,299	\$ 667,183,095	\$ 685,136,972

Education Aid to Local Units of Government

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
LEA Subtotal	\$ 614,191,562	\$ 641,293,197	\$ 660,442,299	\$ 667,183,095	\$ 685,136,972
Non-Distributed Aid					
Teacher Retirement	31,264,197	38,242,690	46,212,606	48,503,125	58,632,638
Capital Construction	33,222,193	38,232,357	40,740,607	42,179,845	46,855,701
On-Site Visits	694,313	407,002	408,842	407,935	407,935
Prog Support & Intervention	4,621,507	471,986	1,101,309	2,100,000	2,896,883
Professional Developmen	479,290	120,000	120,573	120,000	120,000
Textbook Expansion	372,630	221,811	332,980	525,000	240,000
Hasbro Children's Hospital	100,000	100,000	100,000	100,000	100,000
Direct Aid-Charter Schools	6,174,888	9,407,631	12,645,076	16,910,203	20,771,618
Gates Foundation Match	664,000	-	-	-	-
School Breakfast	-	-	647,872	642,860	600,000
Telecommunications Acces	-	-	-	802,965	802,965
Non-Distributed Subtota	77,593,018	87,203,477	102,309,865	112,291,933	131,427,740
Total Aid	\$ 691,784,580	\$ 728,496,674	\$ 762,752,164	\$ 779,475,028	\$ 816,564,712

Appendix E

Capital Budget

Schedule 1 - Summary of Proposed G.O. Bond Issuance by Agency

<u>Agency</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>Totals</u>
Administration	-	-	-	-	-	-	-
Economic Development Corporation	6,009,840	12,000,000	10,000,000	10,000,000	10,000,000	-	48,009,840
Subtotal: General Government	6,009,840	12,000,000	10,000,000	10,000,000	10,000,000	-	48,009,840
Children, Youth and Families	-	-	-	-	-	-	-
Human Services	-	-	-	-	-	-	-
Mental Health, Retardation & Hospitals	2,210,000	1,500,000	1,330,000	-	-	-	5,040,000
Governor's Commission on Disabilities	-	-	-	-	-	-	-
Subtotal: Human Services	2,210,000	1,500,000	1,330,000	-	-	-	5,040,000
Elementary & Secondary Education	2,650,000	2,805,000	4,540,000	2,720,000	3,250,000	-	15,965,000
Higher Education	12,885,000	19,735,000	44,100,000	66,330,000	18,580,000	7,600,000	169,230,000
Atomic Energy Commission	-	-	-	-	-	-	-
Historical Preservation & Heritage Comm.	2,200,000	3,300,000	5,500,000	1,000,000	-	-	12,000,000
Public Telecommunications Authority	-	-	-	-	-	-	-
Subtotal: Education	17,735,000	25,840,000	54,140,000	70,050,000	21,830,000	7,600,000	197,195,000
Attorney General	-	-	-	-	-	-	-
Corrections	-	-	-	-	-	-	-
Judicial	-	-	-	-	-	-	-
Military Staff	-	-	-	-	-	-	-
State Police	4,530,000	20,000,000	13,000,000	10,070,000	-	-	47,600,000
State Fire Marshal	2,800,000	2,400,000	1,000,000	-	-	-	6,200,000
Subtotal: Public Safety	7,330,000	22,400,000	14,000,000	10,070,000	-	-	53,800,000
Environmental Management	8,490,000	16,440,000	18,250,000	17,330,000	11,100,000	7,100,000	78,710,000
Coastal Resources Management Council	-	-	-	-	-	-	-
Clean Water Finance Agency	1,800,000	3,800,000	3,800,000	3,800,000	3,800,000	4,300,000	21,300,000
Narragansett Bay Commission	-	-	-	-	-	-	-
Water Resources Board	1,755,000	4,500,000	5,500,000	3,500,000	3,000,000	500,000	18,755,000
Subtotal: Natural Resources	12,045,000	24,740,000	27,550,000	24,630,000	17,900,000	11,900,000	118,765,000
Transportation	29,890,160	31,090,000	32,365,000	31,565,000	30,000,000	30,000,000	184,910,160
Airport Corporation	-	-	-	-	-	-	-
RI Public Transit Authority	1,100,000	130,000	460,000	335,000	1,900,000	2,790,000	6,715,000
Subtotal: Transportation	30,990,160	31,220,000	32,825,000	31,900,000	31,900,000	32,790,000	191,625,160
Totals	76,320,000	117,700,000	139,845,000	146,650,000	81,630,000	52,290,000	614,435,000
Adjustment for Cash Flow Refinement		(17,700,000)	(39,845,000)	(46,650,000)			
	76,320,000	100,000,000	100,000,000	100,000,000	81,630,000	52,290,000	

Schedule 2 - Statewide Summary by Source of Funds

Pre-FY 2005**FY 2005****FY 2006****FY 2007**

By Source of Funds

Totals

2,597,031,752

828,184,356

903,678,737

882,658,239

Schedule 2 - Statewide Summary by Source of Funds

	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>Post-FY 2010</u>	<u>Totals</u>
<u>By Source of Funds</u>					
General Obligation - Issued Proceeds	-	-	-	-	637,479,810
General Obligation - Unissued Proceeds	108,120,000	32,325,000	11,900,000	-	486,210,000
General Obligation - New Referenda	38,530,000	49,305,000	40,390,000	8,350,000	136,575,000
Certificates of Participation	-	-	-	-	170,862,226
Rhode Island Capital Plan Fund	64,190,266	64,456,552	36,810,124	14,007,516	395,887,693
Federal Funds	10,729,655	3,437,500	1,750,000	-	80,531,084
Federal Funds - Department of Agriculture	2,920,185	-	-	-	11,150,711
Federal Highway Administration (TEA21)	186,000,001	186,000,000	186,000,001	476,868,513	2,577,913,813
Federal Transit Administration	3,449,660	9,866,301	12,081,462	5,000,000	125,488,257
Federal - Economic Development Administration	-	-	-	-	357,902
Federal - Environmental Protection Agency	17,135,000	17,135,000	17,135,000	-	299,437,539
Federal Aviation Administration	17,779,902	24,782,000	38,607,000	90,775,500	227,683,061
Federal Emergency Management Agency	-	-	-	-	9,630,000
Federal Railroad Administration	-	-	-	-	54,931,811
National Guard Bureau - Federal	24,150,000	150,000	-	-	37,618,260
Gas Tax	8,282,535	8,294,639	9,103,945	123,421,853	208,540,935
General Revenue	1,059,386	500,000	500,000	-	24,657,216
GARVEE Bonds	86,607,276	59,912,972	26,312,441	15,172,759	535,240,000
Insurance Proceeds	-	-	-	-	78,496
Interest Earnings on Bond Funds	50,000	50,000	50,000	50,000	7,824,500
Capitalized Interest	-	-	-	-	2,013,350
Customer Facility Charge	4,200,000	-	-	-	21,000,000
Internal Service Funds	-	-	-	-	686,900
Lease Financing	-	-	-	-	10,900,000
Local Funds	-	-	-	-	107,264
Motor Fuel Tax Revenue Bonds	17,208,919	13,228,244	6,578,110	3,793,190	114,060,003
Other Funds	13,416,236	7,738,611	9,038,338	-	60,001,551
Paratransit Revolving Fund	196,757	572,108	233,611	-	3,213,783
Passenger Facility Charge	-	6,500,000	8,950,000	48,750,000	72,561,000
Private Funding	-	-	-	-	9,763,807
RIAC General Revenues	662,000	628,000	1,253,000	4,114,500	9,656,632
Restricted Receipt Funds	2,234,400	812,500	800,000	-	32,566,316
Revenue Bonds	51,883,138	40,250,000	40,250,000	-	864,561,976
Revolved Capitalization Grants	3,360,741	3,360,986	3,435,239	185,323	71,319,289
RIHEBC Bonds	15,829,240	27,859,161	15,291,137	11,775,539	201,907,634
RIPTA Operating Funds	36,000	36,000	-	-	1,220,077
RIPTA Revolving Loan Fund	-	-	-	-	972,820
Special Facility Bonds	10,000,000	-	-	-	50,000,000
State Revolving Fund	-	-	-	-	-
Third Party Financing	-	-	-	-	33,000,000
TIFIA Loan	9,200,000	-	-	-	46,000,000
Transportation Security Administration	2,750,000	-	-	-	30,142,157
University/College Funds	1,175,000	155,000	-	-	5,046,183
Variable Rate Debt Obligations	-	-	-	-	70,000,000
Totals	701,156,297	557,355,574	466,469,408	802,264,693	7,738,799,056

Schedule 3 - Statewide Summary by Agency

	<u>Pre-FY 2005</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
By Agency				
Administration	35,452,990	13,935,949	22,714,981	22,165,380
Legislature	-	-	-	-
Labor and Training	86,119	560,000	582,500	60,000
Public Utilities Commission	263,654	300,000	300,000	300,000
Economic Development Corporation	21,990,160	6,209,840	15,036,667	10,491,111
Subtotal: General Government	57,792,923	21,005,789	38,634,148	33,016,491
Children, Youth & Families	1,795,526	11,496,272	19,556,360	34,797,830
Human Services	3,101,816	2,122,527	4,153,356	1,361,914
Mental Health, Retardation & Hospitals	37,477,565	14,546,554	9,911,261	11,180,000
Governor's Commission on Disabilities	5,000,585	951,450	300,000	400,000
Subtotal: Human Services	47,375,492	29,116,803	33,920,977	47,739,744
Elementary & Secondary Education	28,379,402	3,932,162	2,942,280	5,468,760
Higher Education	159,828,020	94,938,572	81,802,433	74,723,625
Atomic Energy Commission	150,000	255,000	-	50,000
Historical Preservation & Heritage Commission	2,016,838	3,249,845	3,300,000	5,500,000
Public Telecommunications Authority	556,832	3,203,047	-	-
Subtotal: Education	190,931,092	105,578,626	88,044,713	85,742,385
Attorney General	90,860	1,179,140	271,000	165,000
Corrections	8,630,770	10,480,671	12,349,639	11,089,674
Judicial	11,411,443	30,282,156	37,210,870	12,216,744
Military Staff	500,056	2,139,246	1,982,826	24,689,959
Fire Marshal	-	3,000,000	2,400,000	1,000,000
State Police	1,120,587	5,295,000	20,000,000	14,535,000
Subtotal: Public Safety	21,753,716	52,376,213	74,214,335	63,696,377
Environmental Management	128,143,481	36,436,580	32,021,495	35,293,355
Coastal Resources Management Council	3,801,106	250,000	1,396,313	8,819,956
Clean Water Finance Agency	699,231,409	130,818,800	111,335,273	103,340,503
Narragansett Bay Commission	47,833,361	44,263,639	-	-
Water Resources Board	16,566,090	8,393,523	7,770,793	6,310,600
Subtotal: Natural Resources	895,575,447	220,162,542	152,523,874	153,764,414
Transportation	1,342,165,728	372,171,854	358,969,176	369,818,971
Airport Corporation	19,790,842	18,262,397	136,799,577	118,877,645
RI Public Transit Authority	21,646,512	9,510,132	20,571,937	10,002,212
Subtotal: Transportation	1,383,603,082	399,944,383	516,340,690	498,698,828
Totals	2,597,031,752	828,184,356	903,678,737	882,658,239

Schedule 3 - Statewide Summary by Agency

	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>Post-FY 2010</u>	<u>Totals</u>
By Agency					
Administration	15,903,640	14,843,400	2,000,000	-	127,016,340
Legislature	5,000,000	5,000,000	5,000,000	-	15,000,000
Labor and Training	-	-	-	-	1,288,619
Public Utilities Commission	300,000	300,000	300,000	-	2,063,654
Economic Development Corporation	18,416,236	12,738,611	4,038,338	-	88,920,963
Subtotal: General Government	39,619,876	32,882,011	11,338,338	-	234,289,576
Children, Youth & Families	6,266,212	600,000	-	-	74,512,200
Human Services	1,240,000	440,000	140,000	-	12,559,613
Mental Health, Retardation & Hospitals	9,150,000	9,200,000	9,200,000	-	100,665,380
Governor's Commission on Disabilities	500,000	500,000	500,000	-	8,152,035
Subtotal: Human Services	17,156,212	10,740,000	9,840,000	-	195,889,228
Elementary & Secondary Education	3,406,225	4,041,900	-	-	48,170,729
Higher Education	94,544,425	57,694,161	30,091,137	18,875,539	612,497,912
Atomic Energy Commission	-	-	-	-	455,000
Historical Preservation & Heritage Commission	1,000,000	-	-	-	15,066,683
Public Telecommunications Authority	-	-	-	-	3,759,879
Subtotal: Education	98,950,650	61,736,061	30,091,137	18,875,539	679,950,203
Attorney General	150,000	150,000	150,000	-	2,156,000
Corrections	7,396,613	12,575,508	9,895,124	13,007,516	85,425,515
Judicial	1,500,000	100,000	100,000	-	92,821,213
Military Staff	25,180,000	1,270,000	500,000	-	56,262,087
Fire Marshal	-	-	-	-	6,400,000
State Police	13,170,000	3,400,000	-	-	57,520,587
Subtotal: Public Safety	47,396,613	17,495,508	10,645,124	13,007,516	300,585,402
Environmental Management	23,039,386	17,325,000	9,850,000	-	282,109,297
Coastal Resources Management Council	1,714,055	250,000	250,000	-	16,481,430
Clean Water Finance Agency	61,345,741	61,345,986	61,920,239	235,323	1,229,573,274
Narragansett Bay Commission	-	-	-	-	92,097,000
Water Resources Board	3,877,576	3,910,744	1,375,000	-	48,204,326
Subtotal: Natural Resources	89,976,758	82,831,730	73,395,239	235,323	1,668,465,327
Transportation	334,663,731	303,435,855	263,994,497	620,256,315	3,965,476,127
Airport Corporation	67,275,040	35,160,000	52,060,000	143,640,000	591,865,501
RI Public Transit Authority	6,117,417	13,074,409	15,105,073	6,250,000	102,277,692
Subtotal: Transportation	408,056,188	351,670,264	331,159,570	770,146,315	4,659,619,320
Totals	701,156,297	557,355,574	466,469,408	802,264,693	7,738,799,056

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Water Resources Board Corporate

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E-911 Commission
Commission on Judicial Tenure and Discipline
Resource Recovery Corporation
Rhode Island Underground Storage Tank
Financial Responsibility Review Board
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Performance Measures